



# Crisis Management

## About this Topic: Crisis Management



### Topic Mentor

#### Norman R. Augustine

When it comes to crisis management, Norman R. Augustine is a graduate of the school of hard knocks. Having served as chairman and CEO of Lockheed Martin Corporation; director of Black & Decker, Phillips Petroleum, and Procter & Gamble; and undersecretary for the U.S. Army during the Vietnam War, Augustine has years of experience managing in turbulent and uncertain times. He is the author of *Augustine's Laws* (Viking Penguin, 1986) and "Managing the Crisis You Tried to Prevent" (*Harvard Business Review*, 1995).

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## What Would You Do?

### What would you do?

Cal is the manager for a successful chain of retail stores. Over the past year, business has been booming. Earnings are up and profit margins are growing. Because business has been so positive,

Cal was surprised when he received a memo from the company's vice president asking him to perform a crisis audit. What did the vice president mean by a "crisis audit" and why did Cal have to worry about a crisis when business was going so well? Cal didn't have a clue where to begin.

What would you do?

Cal might begin by talking with colleagues who work in different areas to better understand what might go wrong in tougher times. If you were responsible for a town dam, you would certainly perform an audit of its structural integrity before a storm caused the water to rise. Likewise, it is important for Cal to perform a crisis audit when things are going well at work so that he can be better prepared should a crisis arise. One of the first steps in performing a crisis audit is to talk with many different people within the organization to gather different perspectives of what could happen. Next, Cal should conduct a **SWOT analysis** to determine the company's **strengths**, **weaknesses**, **opportunities**, and **threats** for each potential crisis.

In this topic, you'll learn how to prepare for, manage, and resolve crises.

At Cal's company, profit margins are growing and earnings are up—so why might a crisis audit be necessary now?

## Topic Objectives

This topic helps you to:

- Avoid a crisis through planning
- Prepare to manage crises you can't avoid
- Recognize a crisis and contain it before it spreads even further
- Resolve a crisis in the most effective way
- Learn from past crises
- Take care of yourself during a crisis

## September 11, 2001—How one crisis was avoided

“ A crisis is an event that can affect or destroy an entire organization. ”  
—Ian Mitroff

September 11 was, without a doubt, the worst crisis on United States soil in modern times. Thousands of lives were lost in New York's World Trade Center, the Pentagon, and in rural Pennsylvania. Because the World Trade Center was home to many of the U.S.'s leading financial institutions, in addition to the terrible loss of human life in the collapse of the two towers, financial records, personal computers, servers, and back-up tape drives—and all the information they contained—were destroyed.

So what happened to all the data? The mortgages? Credit information? Investment data?

All but 5% of the companies involved in the attack recovered their data. Why? Most companies in the World Trade Center had learned from the 1993 attack on the towers by creating and implementing plans to regularly store critical information offsite. On September 11, 2001, almost all the data housed in the World Trade Center existed elsewhere in duplicate.

## Crisis definition



Simply put, a crisis is a change—sudden or slowly evolving—that results in an urgent problem that must be addressed immediately. A crisis can occur in many forms:

- Life-threatening product defects are discovered
- Computer hackers shut down a company's entire system and deny access to customers
- A hard freeze destroys a region's citrus crops
- A terrorist attack destroys lives and property
- A key manager dies with no immediate replacement

Crises are *not* the normal ups-and-downs of a business cycle, those recurring problems faced in the course of taking risks and exploring new avenues of opportunities.

Crises are wrenching, painful events. Yet some good can come out of these difficult experiences because the learning that comes from dealing with a crisis contains within it the seeds for future success in crisis prevention, crisis management, and, in some cases, even new opportunities.

## Natural or company-related events

Two types of crises fall in this category:

- **Uncontrollable natural events.** A natural event of catastrophic magnitude can strike unexpectedly—be it an earthquake, typhoon, tornado, hurricane, blizzard, flood, fire, or some other natural disaster. For example, earthquakes can crush buildings, destroy infrastructures, and interrupt communications.
- **Health and environmental disasters related to the company.** Unlike natural events, some health and environment-related disasters, though not necessarily *caused* by the company, are directly related to the company. The company is responsible—or is perceived to be responsible—for dealing with them.

Consider the following examples:

- Product tampering by an outsider that can damage your company's products and harm consumers, and affect the overall image of your product and company
- Serious product problems or defects, such as defective tires or food contamination, for which your company does bear responsibility
- Catastrophic accidents that happen on the company's watch, such as major oil spills or radiation leakage

- Environmental pollution unknowingly caused by your company in years past—for example, toxic waste with long-lasting harmful effects on wildlife and human health that has been dumped into waterways

## Technology breakdowns

Everyone knows what it's like when the server goes down. In this information age, we are extraordinarily dependent on technology to communicate, store information, do research, buy, and sell. Business today could not function without technology.

The following are some common technological problems:

- **Data loss:** Most companies in the United States do not have data back-up plans, despite a University of Texas study finding that only 6% of companies that undergo major data loss will survive that crisis.
- **Security breaches:** A 2001 survey run by the Federal Bureau of Investigation and the Computer Security Institute revealed that 85% of large companies and government agencies have detected computer breaches in the past year, and while most computer attacks come from outside, attacks from inside cause the greatest financial loss.
- **Communications technology:** A retailer's Web site goes off-line during the busiest season, stalling orders and frustrating customers and service representatives. A virtual team's Web site goes down, making it impossible to meet a critical deadline. An entire phone system goes out, so that no one in a company can receive or make calls except on their mobile phones. All of these are crises generated by technological failures.
- **Outmoded equipment:** When people work on aging equipment or on failing networks, they face a series of ongoing, minor crises every day—inefficient working conditions, difficulty meeting deadlines, lost e-mails, constant frustration—all of which can lead to a major crisis when the systems finally collapse.

## Economic and market forces

With a global economy and high-speed information, markets and economies change far more rapidly than they did 20 years ago. These forces can change—or appear to change—quite swiftly.

Consider the following examples:

- **Market swings:** An unexpected spike or collapse in buying can alter predicted sales, product development, and scheduling. Even though regular market swings can make for difficult times, a major disruption in markets results in crises.
- **Trends:** An overall change in demand, often due to a paradigm shift, leaves backward-looking companies in the dust. The rise of the personal computer is an excellent example. Although it was not predicted, it became the new paradigm. Companies that believed that mainframe technology would always be the only market were caught unaware.
- **Investment bubbles:** Periods of rampant speculation and investment frenzy blow business opportunities out of proportion until the economic realities cause the bubbles to burst. The instant deflation of portfolios, life savings, retirement incomes, and job opportunities creates crises for many.

## Relationship crises

All businesses depend on people, both those within the company and those outside—business partners, vendors, and customers. What does a company do when a subcontractor in charge of security allows a serious breach at a major airport, when a vendor fails to deliver critical supplies, when an employee is caught embezzling money from a client account, when a partner is indicted, or when a major customer goes out of business? Relationship problems, even those as small as a personal conflict within a group, can lead to a serious crisis.

## Six stages of crisis management

All crises—whether related to uncontrollable events, health, technology, changing markets, or relationships—have the potential to affect the company's reputation, its bottom line, its people, and, ultimately, its ability to do business. Although there is no simple formula for eliminating crises, following the six stages of crisis management can certainly make a big difference in how successfully you cope with crises.

Stage 1: Avoiding the Crisis

Stage 2: Preparing to Manage the Crisis

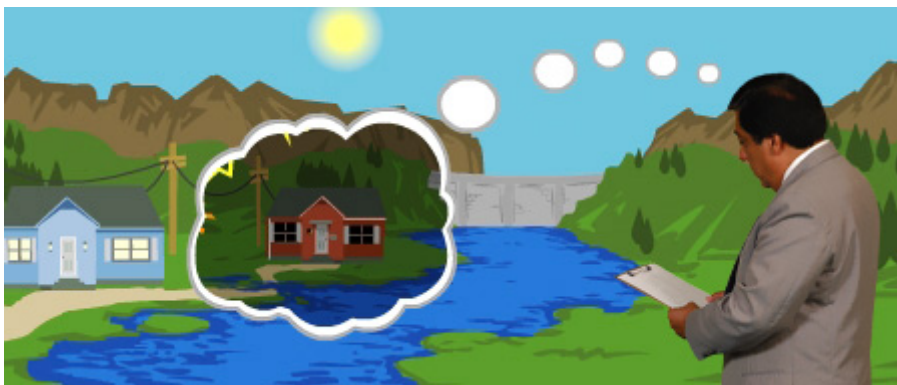
Stage 3: Recognizing the Crisis

Stage 4: Containing the Crisis

Stage 5: Resolving the Crisis

Stage 6: Learning from the Crisis

## The quiet task of avoiding crises



Crises that are handled poorly often get the greatest media attention. But we don't often hear much about crises that were prevented. Remember the Y2K bug? On New Year's Day, 2000, virtually every computer in the world made the calendar switch to the new millennium without a hitch. All those listening for trouble heard was the quiet sound of a crisis that had been prevented. For years, businesses had worked to solve the Y2K problem before it happened. And their efforts paid off.

Of course, managers at every level of an organization intercede and prevent minor crises every day.

- A sales representative notices that a client's name is misspelled on every page of a major sales proposal. The manager has all the copies destroyed, makes the adjustments, and has new proposals printed at an all-night copy center, saving the company from losing a major account.



- A manager foresees a cash flow shortage, takes steps to hurry receivables, and makes sure a credit line is available at the company's bank should the expected cash still not come in.
- A manager, when informed that a key employee is leaving, takes steps to find a replacement instead of leaving it to the last minute.

All these managers are actively involved in avoiding crises. It's their job.

## The crisis audit

“ Make a list of everything that could attract trouble to the business, consider the possible consequences, and estimate the cost of prevention. ”  
–Norman Augustine

Most managers are already attuned to *possible* and *probable* crises and take some steps to avoid them. But you can become even more effective by preparing for crises when things are going well. The first step is to perform a crisis audit. Look for things that are going wrong now or that have the potential to go wrong in the future.

A crisis audit may look like one more "To do" on your long list, but examining what has the potential to go wrong should not be just one more item to be squeezed into your already busy day but, rather, an important part of your company's or department's long-term plan.

## Perform a crisis audit

A crisis audit involves the following steps:

- **Make crisis planning a part of your strategic planning.** Incorporate the crisis audit into your part of the overall strategic planning process. Whether you run your own business or department, you still have to plan strategically for the future, and that planning needs to include crisis planning.
- **Get together and share ideas.** People's perspectives about potential crises often differ greatly. No one person has all the information a company needs. By talking to people from other areas of your department, division, or company, you may get some surprising information. Work with colleagues in your department and in other departments to analyze your situation.
- **Perform the SWOT analysis from a crisis perspective.** One useful strategic planning tool is the **SWOT analysis** (strengths, weaknesses, opportunities, threats). Conduct the analysis specifically from a crisis perspective—after all, crises often evolve from internal weaknesses or external threats.

What are your organization's internal weaknesses? Where might a crisis occur in your normal business procedures? For example, are you so understaffed that if one member of the team were to leave, you couldn't function? Or is your infrastructure old and patched together? Are you having quality control problems that could lead to consumer dissatisfaction or harm?

What are your most likely external threats? Which of those threats would be the most damaging to your company? Is your competition likely to introduce a radically new product, making yours obsolete?

**Note:** Often people refuse to recognize the one major threat that looms over the company. By ignoring the reality, any constructive action that might avert or lessen the impact of the problem is left undone.

For example, if your company has been successfully producing one major product line, but the managers refuse to acknowledge a new, innovative product that will eventually make your entire product line obsolete, your company very likely will not survive.

- **Focus on the four major crisis areas:** health and environmental disasters, technological breakdowns, economic and market forces, and relationships.
- **Develop your crisis-risk list.** In performing the crisis audit, ask yourselves two basic questions:
  1. What are the *worst* things that could go wrong?
  2. What are the *most likely* or *probable* crises that could occur?

You can't possibly address every potential problem or crisis, and some crises simply won't touch your organization. For example, if your company is not located in an earthquake zone, don't put earthquakes on your crisis risk list. Or, if you are part of a consulting firm, you won't be worrying about a possible labor strike.

Narrow the crisis-risk list by focusing on the crises that would have the worst result, would be most likely to occur, and would affect your group.

## Key Idea: Focus on the four major crisis areas

### Key Idea

Trying to anticipate every possible type of crisis can be overwhelming. Let's look in more detail at how you focus on the four major crises areas.

- **Area one: Health and environmental disasters.** The health and safety of employees, consumers, the general public, and the environment are high priorities. This type of crisis can escalate from a small problem to a major crisis quickly, particularly when people within the institution try to cover it up, place blame, or minimize its importance.
- **Area two: Technological breakdowns.** You probably already have a good idea of some of the biggest weaknesses in your company's or department's technology. Maybe it's the phone system, the server, or the Internet connection. Weaknesses in technology can precipitate paralyzing crises if left untreated.
- **Area three: Economic and market forces.** Economic forces and market swings can be crises with the greatest opportunities hidden inside—but only if you are prepared. Otherwise, an unexpected market swing can be damaging or even devastating.
- **Area four: Relationships.** People are unpredictable. They may do things that you would not think possible, particularly if money or advancement is involved. Organizations with whom you have partnered for a long time may also surprise you. Consider, for example, the advertising agency whose Fortune 500 client simply closed its doors. Millions of dollars worth of business were lost. As a manager, you have to deal with numerous and diverse relationships. Look for vulnerable relationships. Be particularly aware of the one vendor, client, or computer whiz whose sudden departure could ruin your company.

A deeper understanding of the four major types of crises may make your crisis prevention process simpler. Can you identify them?

## Example of an economic crisis



Consider a small, health-related Internet start-up company at the height of the e-business investment bubble. The development team invested an enormous amount of money in creating content that was provided for free on the company's Web site. Little money or resources were left to develop the subscription site—the part of the site that was actually set up to make a profit. The company was following the model of other Web-development companies at the time—giving away most of their content for free. And many of these companies went out of business, the ultimate business crisis! Why did this happen? The tiny start-up might have failed anyway, but by following what everyone else was doing without questioning the business fundamentals, they guaranteed it. They ignored how they were going to make a profit once the venture capital money ran out.

## Always be prepared



In business, creating a contingency plan means making as many decisions as you can before the crisis occurs, so that your energies can go into handling the crisis effectively *when it does occur*. Many of these tasks are fairly easy to do when things are going well, but difficult and stressful to do in the middle of a crisis.

However, just as a hospital arranges for a standby generator in case power goes out during surgery, you need back-up plans for the set of crises you have identified as the ones your company or department must expect and prepare for.

## Leadership Insight: Stay up to date

I'd like to talk to you today about crisis management. We're all familiar with the September 11th crisis. I remember the evening before, flying from New York to London on business. When I arrived in London, we were talking to our team in our network management center, which had large screens around events in the world. At that time, I was on the phone with an individual who worked for me in a New York City office. And she said to me, "Colleen, something's wrong, I'm seeing paper flying outside the window."

And I said to her, "Get out of the building now. There's a problem." As I turned to look at the TV, we all remember that picture of the planes crashing.

But what I knew had to occur is we had a responsibility for our customers to make sure that we put our emergency control center up and running immediately. The good news is we had a very definite plan. We had great processes, and the team around the world rallied quickly to put it into place, but it didn't take long to realize there was a hole in our plan.

We had recently acquired a business in New York City, and that team had to be gotten out of the building and out of the city quickly. We quickly mobilized the individual that I was talking to on the phone to rally the rest of her teammates to get out of the building, and they did.

We'd had no injuries in the building. The only thing that was damaged in that crisis in our building was our information. We were able to return when it was safe and get those data storages.

What we learned is no matter how well you're prepared, you need to review your processes and your preparation when there are significant changes to your company, like an acquisition.

When organizational change takes place, don't forget to update your contingency plans.

### **Colleen O'Keefe**

**Senior Vice President and General Manager, Collaborative Solutions and Global Services, Novell**

Colleen O'Keefe is the Senior Vice President and General Manager of Collaborative Solutions and Global Services at Novell, a global IT infrastructure software company headquartered in Waltham, Massachusetts.

In this role, she combines her 30 years of operational, customer, and professional services expertise with the span of focus across solutions and services that enables her to serve customers and partners in a deeper way.

Before joining Novell, Colleen served as Vice President and General Manager of the Payment Solutions Division at NCR Corporation. She previously served as Vice President of Global Managed Services for NCR's Worldwide Customer Services division, where she was responsible of the development, marketing, and sale of NCR's portfolio of IT service capabilities.

Colleen has a bachelor's degree in economics from the College of the Holy Cross and a master's degree in business administration from the University of Hartford. She also attended Stanford University's Executive Education Program.

## **Recognize the risks**

Consider a major investment company that had only one line of business—helping individual investors buy and sell stocks. When the investment market was at its peak, this company did a booming business. It poured its profits into expanding its business by hiring more people and opening more offices. But when the economy stalled and individual investors stopped buying, the company had no other sources of revenue. The company's stock dropped and they were forced to make huge layoffs which affected everyone in the organization. By exploring other sources of revenue, and investing some of its profits in those opportunities—and by doing some "what-ifs" about their rate of growth—the company may have lessened some effects of the disaster. Of course, some things are clear in hindsight, but important lessons are all around.

Use the results of your crisis audit as a basis from which to brainstorm potential crises. Question basic assumptions about your business—both the present, and the future. What assumptions do you have that *might* not be true? Ask yourself, "What would happen if people stopped buying our best-selling product?" or "What if demand for our product is so huge that we can't fill our orders?" It's important to do this as a group. Other people can provide a valuable perspective on each other's closely held assumptions. And finally ask, "How would this impact our group?"

Once you've determined what crises you need to plan for, consider ways to minimize these risks.

## Activity: Crisis warning signs

This self assessment will help you identify potential sources of risk for your company or business unit.

Answer each of the following fourteen questions "yes" or "no." Record your answer to each question manually as you go.

Consider your situation and identify whether you are currently experiencing the following.

1. Is your group releasing a new product or launching new business processes?
2. Are you instituting a new process?
3. Has your company recently experienced a change in management?
4. Are your department's or company's profits declining?
5. Does your business depend on a few major customers?
6. Do your business activities have the potential to harm the environment?
7. Has your product or company recently experienced rapid growth?
8. Is your company involved in costly litigation?
9. Is your company susceptible to natural disasters?
10. Is your company vulnerable to fraud?
11. Does your business depend on family relationships or ownership?
12. Is your company operating in a politically or economically unstable country?
13. Is the general attitude of your division or group aggressive and risk-taking?
14. Does your department or company use hazardous materials or manufacture hazardous products?

Tally your score, giving yourself one point for each "yes" answer, and select it from the options below.

☐ 0-4

You answered "No" for most or all of the questions. Even though your business is not currently in a crisis situation, consider the questions to which you answered "Yes" and

think about how you would respond to a related crisis situation in the future.

☐ 5-14

You answered "Yes" for 5 or more of the questions. Your business may have a higher-than-average probability of encountering a crisis situation. Consider the questions to which you answered "Yes" and think about how you would respond to a related crisis situation in the future.

## Brainstorm costs

With your group, brainstorm the costs for each risk you've identified. Consider everything that might go wrong, and assess the costs if it should. A risk analysis measures more than just costs in terms of money. Determine costs in terms of human health and safety, and other important factors such as ability to meet customers' demands, ability for employees to work and communicate efficiently, and the company's reputation.

Prioritize those that are most pressing, and deal with them first.

## Key Idea: Come up with a crisis or contingency plan

### Key Idea

Having selected a key what-if scenario and analyzed possible consequences, brainstorm the kinds of decisions that will have to be made. In the event of a natural disaster, employees may have to be evacuated. Second- or third-shift employees might have to be notified. If a problem arises getting a product to market, additional staff may have to be hired quickly, alternative methods of transportation might have to be lined up, or management may have to answer phones. In the event of an impending strike by transportation workers, you might decide to call in a team of employees who drive minivans to bring some people to work and arrange for some people to work from home.

As you go through this exercise, start to consider who should be making these decisions.

Sometimes, crises are unavoidable. A contingency plan will help you prepare.

## Explore the crisis plan's possible side effects

Perform a reality check on your plan by brainstorming possible side effects.

For example, when a chain of auto-repair shops wanted to boost sagging sales, management offered mechanics sales incentives. The more work they brought in, the bigger bonus they'd make. Unfortunately, some of the mechanics began recommending unnecessary repairs.

Customers complained that they were being ripped off, and the chain's reputation suffered. Similarly, a factory offered incentives for every defective product turned in, but it soon turned out that some workers were deliberately damaging products in order to receive the awards. And when a pizza company promised to deliver their "pizza in 30 minutes or it's free," speeding drivers caused car accidents.

You don't have to cover every eventuality, but thinking things through carefully can help prevent problems.

## Form a crisis-management team

The outcome of the crisis depends on the performance of the people making the decisions. The better prepared they are, the better the crisis will be handled.

Determine who on your team will:

- Be involved in handling each aspect of the crisis
- Make what kinds of decisions
- Notify authorities within the company
- Notify employees, government agencies, media, and so forth
- Decide if employees should stay home
- Decide to evacuate a building
- Decide to hire temporary personnel in the event of an unexpected business rush

Once these decisions have been made, make sure that every person on the team has a back-up in case they are unavailable.

Create and distribute a list of all phone numbers, e-mail addresses, and ways to reach critical team players. Have people put the list on their computers, in their mobile-phone address books, on wireless communicators, and in their home office . . . wherever anyone on the team could possibly need access to it.

Then, identify both formal and informal networks within the organization. Who are key players you may need to rely on in a crisis? Make it a point to establish relationships that you don't already have. When a crisis comes, it's a lot easier to handle if you already know all the players.

## Create a communications plan



You need a reliable communications plan. Create lists of all people who will need to be contacted—not just the members of the team—and how to contact them. You may need to include all employees,

vendors, and customers.

## Develop a resource plan

For each crisis on your list, think about what resources will be needed to handle the crisis. For example, if you manage a research project in a pharmaceutical firm, you may have to prepare for a biological or health-related crisis. If you are trying to develop a market niche in an underdeveloped country, your employees may be in real physical danger. In both these examples, the resources required would be very different—from a store of specific antidotes to a detailed escape plan.

## When reality strikes



The chief executive officer of a major corporation was alerted one day that the president of one of its subsidiaries—a film company—had been accused of embezzling money and forging checks. But the CEO refused to believe that the film-company president would ever commit such crimes. He ignored the problem, but it didn't go away. By the time the CEO decided to fire the president, the charismatic thief had gotten board members lined up on his side. The board insisted on keeping the president. The situation worsened, with reports coming out in the paper tarnishing the name of the film company, the corporation, and all involved—including the CEO. It was an ugly, painful crisis, and one that could have been completely avoided had it been recognized as a potential crisis and dealt with promptly.

Like the CEO, many managers don't want to face unpleasant situations. Unfortunately, unpleasant situations can be signs of an impending crisis. Pay attention to that voice inside you that says "Uh-oh, there's something wrong!" The CEO must have been very disturbed when he found out that his film-company president was accused of embezzling. But he rationalized the event by telling himself that what he had heard was impossible.

## Is it a crisis?

On a day-to-day basis, managers learn of many disturbing facts and events. Instead of trying to ignore them, rationalize them, or minimize their importance, turn around and face them. Take a minute to step outside yourself and question the event and its consequences.

- **Characterize the event.** If you answer yes to any of the following questions, you are probably dealing with an impending crisis. Has the event caused—or does it have the potential to cause:
  - Injury to *any* person?
  - A threat to the health or safety of any person?



- A threat to the environment?
- A breakdown in your company's ability to serve customers or a threat to your company's reputation?
- A serious threat to employees' morale and well-being?
- A loss of data?
- Serious financial loss?
- A legal action against your company or an individual associated with it (employee, subcontractor, partner)?
- **Evaluate the size of the crisis.** Once you've realized that you are dealing with a crisis, you need to determine its scope and magnitude. Quickly gather as much information as you can. Ask yourself questions such as the following:
  - How many people are involved? Who are they?
  - How long is this likely to last?
  - Have any laws been broken? If yes, which ones?
  - Who already knows about the crisis? What do they know?
  - Who needs to know?
  - What are the costs already in terms of health? Money? Reputation?
- **Self-reflect.** Evaluate how you manage the situation. Are you someone who tends to underreact? Maybe you need to become more concerned. Or do you have a tendency to overreact? You may need to calm down.
- **Consider your values.** What is important? What is the *right* thing to do? For example, if an employee is breaking the law—and using the company to do it—what is your responsibility? Or, if a subcontractor is disposing of toxic waste from your company illegally, harming the environment, and possibly endangering lives, and you suspect the company is turning a blind eye to it, what should you do?

## Activity: Crisis or not?

Not every difficult situation counts as a crisis—an urgent situation that must be addressed immediately. See if you can tell the difference in the examples below.

One of your products is found to have a defect that could cause injury to the user.

Is this situation a crisis?

☐ Crisis

**Correct choice.** If a product defect could cause injury, you are dealing with a crisis situation.

☐ Not a crisis

**Not the best choice.** If a product defect could cause injury, you are dealing with a crisis situation.

Two executives are having a dispute.

Is this situation a crisis?

☐ Crisis

**Not the best choice.** While a dispute, if left unchecked, between two colleagues may cause some discomfort, it is unlikely that this sort of situation would qualify as a crisis.

☐ Not a crisis

**Correct choice.** While a dispute, if left unchecked, between two colleagues may cause some discomfort, it is unlikely that this sort of situation would qualify as a crisis.

A direct report's behavior angers your largest client.

Is this situation a crisis?

☐ Crisis

**Correct choice.** If the damage to a significant client relationship could lead to a debilitating drop in your company's revenue or reputation, it is a crisis.

☐ Not a crisis

**Not the best choice.** If the damage to a significant client relationship could lead to a debilitating drop in your company's revenue or reputation, it is a crisis.

Hackers break into your computer network and obtain sensitive data.

Is this situation a crisis?

☐ Crisis

**Correct choice.** Losing sensitive data could have catastrophic repercussions and counts as a crisis.

☐ Not a crisis

**Not the best choice.** Losing sensitive data could have catastrophic repercussions and counts as a crisis.

Your company's market share decreases by 10% over the course of one year.

Is this situation a crisis?

☐ Crisis

**Not the best choice.** While a 10% drop in market share could indicate serious problems in products, services, or marketing, and require immediate action, it is not a crisis.

☐ Not a crisis

**Correct choice.** While a 10% drop in market share could indicate serious problems in products, services, or marketing, and require immediate action, it is not a crisis.

## How will you deal with the crisis?

You know you have a crisis on your hands. What do you do? You may have to deal with some aspects of the crisis immediately, but you will also need to come up with a flexible plan for dealing with the crisis' short- and long-term effects.

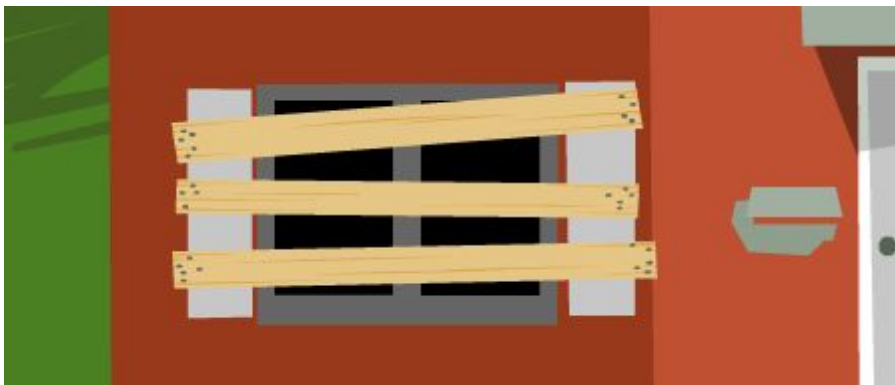
- **Get a team in place.** You will need to get your crisis-management team in place as quickly as possible. Depending on the scope, members of the team may need to be assigned to the crisis full-time. If the crisis is big enough, or of long enough duration, you may need to pull the crisis-management team off some or all of their regular duties.

If you have performed a crisis audit, then your team members will already know what their roles are and how to communicate with each other.

- **Get the information you need.** Throughout the crisis, you'll need key information about what's happening—as it happens. You'll need to ask the right people the right questions. Work with your team to make sure the information is flowing. You'll also need to make sense out of the information you get. Sort out what's relevant, and what isn't; what's important and what's trivial. It's easy to get bogged down in details, so step back every now and then, and take a broad view of the situation.

At this phase of the crisis, it's important to have a sounding board—a person you can trust to help you talk through ideas, information, and decisions.

## Damage control



When a crisis does strike, the first thing you must do is contain it. Your goal is to stop the hemorrhaging fast. You must make decisions quickly. Be on the scene. Your physical presence is important. It lets everyone know that your company cares about what is happening. And you must communicate critical information to key people.

For example, when a supermarket chain was accused by major TV network of selling spoiled meat, the value of its stock plummeted. But the management team responded quickly. They gathered the facts by not only listening to the news media and hearing the message from stockholders but by paying attention to and working with their own employees as well.

They immediately stopped the practice of selling less-than-fresh meat, and they put large windows in the meat-preparation areas so the public could watch meat being packaged. They expanded their employee training, gave public tours of their facilities, and offered consumer discounts to draw people back into the stores. The company eventually earned an excellent rating from the Food and Drug Administration and sales returned to normal.

## Be decisive and compassionate

When a torrential rain flooded a section of a building, the water destroyed computers, carpeting, paper records, and the workspace of 10 employees. The manager was on the scene as the workers showed up in the morning to help workers and direct immediate clean-up efforts. Later, after the clean-up, workers began having breathing problems and headaches. Though the carpet had been cleaned, it was determined that it was probably infested with mold. Instead of trying to clean the carpet again, or waiting for budgetary approval, the manager immediately ordered all the carpet in the area to be removed and replaced.

- **Make decisions.** This manager demonstrated two essential qualities necessary in a crisis—decisiveness and compassion. First, his presence on the scene showed that he, and the company, cared. Later, his decisiveness in replacing the toxic carpeting demonstrated that the health of employees was more important than any other consideration.

Decisiveness is not always easy, but it is important. Often you have to act on too little or inexact information. If there is no workable contingency plan in place, if there are no guidelines for the situation, and if there are no trusted confidants, there is still always your conscience. Ask yourself, what is the right thing to do? And then do it, hoping it is the right thing!

- **Respond to your people.** Compassion is a part of many organizations' cultures, and it is typically rewarded in those cultures. But not always. Some companies pride themselves on having a ruthless and competitive culture. Nevertheless, a manager still has the power to set the tone for his or her own division. No manager—regardless of the corporate culture—has to abandon compassion or humanity, especially during a crisis.

## Leadership Insight: Create a sense of urgency

In 1987, I was working at Charles Schwab out in San Francisco. In October of that year, about three weeks after the company had gone public, the stock market crashed. It dropped 23 percent of its value in one day; it was called "Black Monday." It was a very exciting time to be at Schwab. The actual technology that we'd built in the company held up fine during the crash; the problem was there were hundreds of thousands of people trying to call in to the company and find out what they could do with their accounts, and the phone systems all melted down. They just couldn't handle that kind of incoming volume.

Everyone in the company was focused on the crash, the customer, and how they could address the problems that were created by the phones over the first several days. That means that everybody was manning the phones, everybody was on a computer system — calling people back and trying to get them taken care of, make the trades they needed to make, and keep the customer happy.

My job was in planning. After I'd been on the phones for a while, I started running some financial models because I was starting to get frightened about what was going to happen down the road. Schwab was a retail broker: it depended on individuals, moms and pops investing their money for making the business viable.

My concern was post crash, the moms and pops across the country were going to be stuffing their money in a mattress, they were going to be scared to death to be back in a brokerage account or in a market — and what that meant to our business was going to be pretty significant.

I found the time to get hold of the CEO at the time and talk to him a bit about it, and he shared my concerns as well as the sense of urgency around this. What he did was pretty quickly organize a group of his senior executives and task them to come up with a way to manage our operating expenses — our overhead — down so that we'd be able to absorb that kind of a drop in trading volume and not sink the company.

I'd say within 60 days or so we had some pretty good ideas on the table, very creative ideas like doing furloughs for key employees so that we'd keep them attached to the company. We knew the market would come back; we didn't know when. And other types of ways to cut our expenses without gutting the company.

Within 90 days of that, I suspect, we actually began implementing the plans, so that six months out we were starting to see the impact of the things that we had put together those first 60 days after the crash, and actually brought our breakeven costs, or breakeven level for the company, down by about 30 percent. It was a pretty remarkable achievement.

And as I think back about that and the leadership lessons that come from that, I think about the fact that this CEO had recognized the problem immediately and took action. He didn't wonder about it, he didn't think about what to do, he pulled his senior staff together and told them, "This is what you have to do. You're accountable for making this happen, and we've got to act quickly."

So he established a sense of urgency, and he gave them a focus around exactly what they had to do.

In looking back, I think this is probably the most critical lesson from the whole thing. I think about taking a CPR course, and one of the first things that I remember being taught is when you have to administer CPR to somebody, you have to find someone in the crowd that's going to gather and point to them — specifically to them — and say, "You go call 911."

Because if you make it a general statement, if you say, "Somebody call 911," it's not likely it's going to happen. Everyone is going to assume someone else has done it, that kind of thing.

And I think in this case, it's a perfect example of that. He gave them the accountability, he gave them the focus, and he said, "This is an urgency. This is not something we need to get to some time, we need to do it quickly."

And I think the proof is, a year out, the shareholders were still happy, the analysts on Wall Street were still happy. Even though the stock was worth \$8 a share and it had gone public at \$16 a share the prior September, they were all pretty happy, because I think they knew that the company wasn't just talking about taking action, that they'd already done it.

And in fact, they could see through the financials that we had put together a plan that could be executed in a way that would make the company not only viable, but probably even stronger

when we came out the other side.

Make people accountable by giving specific assignments.

### Ray Carvey

#### Executive Vice President, COO and CFO, Harvard Business Publishing

Ray Carvey is the Executive Vice President, Chief Operating Officer, and Chief Financial Officer at Harvard Business Publishing. In 1995, he joined the company as Chief Financial Officer.

He is responsible for all enterprise-wide functions, including Finance, Enterprise Technology, Creative Services, Business Intelligence, Business Process Management, and International Sales and Marketing. Ray is the company's primary liaison with Harvard Business School on all financial and reporting issues and is also responsible for Global Strategy.

Prior to joining Harvard Business Publishing, he was Vice President of Finance and Administration and Chief Financial Officer of Morgan Memorial Goodwill Industries, Inc., Chief Financial Officer of Blyth Software, and Corporate Treasurer of Ingres Corporation. Ray also worked at Charles Schwab and Company and DiGiorgio Corporation.

He earned both his undergraduate degree and his Master of Business Administration at Boston College.

## Go public

“One's objective should be to get it right, get it quick, get it out, and get it over.”  
—Warren Buffett

Anyone who is handling a crisis is going to have to communicate with others. This could be the general public, or your immediate vendors, suppliers, and clients. In any case, you will need to communicate to your team how the crisis will impact them and what they need to do. What you say and how you say it are critical. You are managing the perceptions of people whose reactions can drastically affect what happens. The way you communicate can precipitate actions that can make the crisis worse—or better. A crisis, by definition, means that there is bad news. Dealing with pain and anger early on can forestall far worse problems later on. Your goal is to contain the overall crisis, not to make the present moment easier.

## Key Idea: Guidelines for communicating

### Key Idea

When communicating during a crisis:

- **First, expect rumors and false information.** During a crisis, people want information—true or not. Use the communication plan you've developed as part of your crisis planning to address and stop the flood of false news.



- **Second, notify key people.** Inform anyone who needs to know—company management, customers, employees, suppliers, government authorities—and do so quickly, within two hours, if possible. If you have created a communication plan or list of important phone numbers, now is the time to use it.
- **Third, stick to the facts.** Whether you're talking to co-workers, authorities, or the media, make your message straightforward and honest.

Avoid these typical, but inappropriate messages:

- "No comment."
- "We haven't read the complaint."
- "A mistake was made."

Give all the facts that you know. You are not obligated to speculate, or to cover-up because lying and speculating will only damage your credibility and your company's credibility if and when you are proven wrong.

Communicate all the bad news at once. It's like pulling off a sticky bandage. It will hurt now, but it will be over soon.

- **Fourth, communicate honestly.** If you don't communicate honestly and openly, you will likely face a host of dangers, such as people blaming you when they find out you misled them.

Going public is an important part of containing the crisis. How can you make sure you communicate effectively?

## Activity: Make the right choices

Practice making the right decision in a crisis situation.

The Information Technology department of Sarah's company warns her that there are indications that several employees' accounts (some containing sensitive information) may have been compromised. The IT manager would like to look into the situation further, but her resources are busy working on an important project for Sarah's boss. Unfortunately, Sarah's boss is out of the country for the week. What should Sarah do?

- ☐ Sarah should leave a message for her boss's manager about the issue.  
**Not the best choice.** While Sarah would normally discuss staffing issues with higher ups, this potential crisis requires decisive action.
- ☐ Sarah should ask the IT department to look into the compromised accounts immediately, even if it means delaying other projects for the time being.  
**Correct choice.** Even though Sarah would normally discuss staffing issues with her supervisor, this incident requires immediate, decisive action.
- ☐ Sarah should instruct the IT professionals to finish her boss's project and then look into the problem.

**Not the best choice.** Disclosure of sensitive information is a serious problem. Even though Sarah's IT department is already quite busy, she should make this investigation a priority.

Raymond has recently discovered that a subcontractor has embezzled money from his department. He has met with the appropriate legal and financial executives of the company, and they are addressing the situation. Although Raymond has been circumspect, he begins hearing rumors and gossip around the office. What should Raymond do to contain the situation?

- ☐ Raymond should speak with his employees and tell them the facts about the situation.

**Correct choice.** The best way to counter rumors and gossip is to fully communicate the situation with all involved. Since legal issues are involved in this situation, Raymond will want to check with the company's legal counsel about what types of things he can discuss.

- ☐ Raymond should instruct his employees to stop speaking about the situation.

**Not the best choice.** Raymond will need to communicate with his employees honestly about the situation, to the extent permitted by the company's legal counsel.

- ☐ Raymond should keep silent so as not to further complicate the situation.

**Not the best choice.** Raymond should provide what factual information he can, given any legal constraints.

Fatima's department has recently encountered a major defect with its leading product line. Fatima starts receiving calls from the press almost immediately. What should she do?

- ☐ Fatima should respond to each phone call with a simple "No comment."

**Not the best choice.** This sort of response may be typical, but it does nothing to convince people that information is not being withheld.

- ☐ Fatima should organize a press conference so that she can make sure that all the facts of the situation are known.

**Correct choice.** Communicating all the bad news in a situation such as this may be painful, but it is also an important step in containing the crisis.

- ☐ Fatima should deny any knowledge of the problem until she has a better sense of how to handle the situation.

**Not the best choice.** Attempting to cover up information could make the situation even more dangerous. People will resent the coverup, and work even harder to figure out what is going on.

Move quickly



By definition a crisis requires fast, confident decision making. But how do you make good decisions when events are moving quickly, when things are confusing, and when it's hard to sort out what's important? How can you stay on track?

## Leadership Insight: Trust your judgment

On my 12th day on my job as Harvard vice provost for international affairs, I thought I was going to be fired. A war had broken out in Lebanon, Israel had begun bombing, and it began to occur to me that I should make the decision that Harvard ought to do something about it; but international evacuations was not in my job description. Actually telling deans and different officials in other parts of the organization that they ought to be working together to get people out was not part of my job description or my authority. I think leaders in a case of an emergency can't be paralyzed by waiting for standard operating procedures. They have to act. They have to make the rules as they go along. And so if it wasn't prohibited, I was going to do it.

The one thing that I needed is to make sure that the guy who had appointed me, the provost of the University, whom I barely knew, would say, "OK. Try it." The same process of decision making occurred at a moment in the crisis just a bit later. Yeah, we didn't have money to do this. It was not in the budget. We had not budgeted for a war in the Middle East.

And so how to get these people out required the deans of the various schools to be able to put up some money so that we could evacuate people from Beirut to Damascus, then the deans would pay from Damascus back to Boston. And most of the deans said, "Yes." One of the deans said, "No." And so one of the questions was how do we get these people out? We don't want them abandoned in Damascus. So I had to shame the dean. I said I would pay for this airfare out of my own pocket.

So in a crisis when your people are at risk, when the organization is at risk, the only way for a leader to ask others to join in solving the problem and to address it is to take risks yourself. I was at risk of being fired. I was at risk of losing some personal money, but that's the right way to make the organization overcome the risks that it faces when leaders are prepared to put in some of their skin.

Don't be paralyzed when there are no standard operating procedures. Trust your judgment and take action.

**Jorge I. Domínguez**  
**Vice Provost International Affairs**

## Harvard University

Jorge I. Domínguez serves many roles at Harvard University. He is Antonio Madero Professor of Mexican and Latin American Politics and Economics, Vice Provost for International Affairs, Senior Advisor for International Studies to the Dean of the Faculty of Arts and Sciences, and Chairman of the Harvard Academy for International and Area Studies.

He has authored and coauthored various titles including “Consolidating Mexico’s Democracy: The 2006 Presidential Campaign in Comparative Perspective,” “The Construction of Democracy: Lessons from Practice and Research,” and “Between Compliance and Conflict: East Asia, Latin America, and the ‘New’ Pax Americana.”

A past President of the Latin American Studies Association and a past Board Chairman of the Latin American Scholarship Program of American Universities, Jorge currently serves on the Editorial Boards of Political Science Quarterly, Foreign Affairs en español, Cuban Studies, and Foro internacional and is a Contributing Editor to Foreign Policy. He was Series Editor for the Peabody Award-winning Public Broadcasting System television series, Crisis in Central America.

His current research focuses on the international relations and domestic politics of Latin American countries.

## Be aware of the effects of stress

Typically, three emotions can combine to create the stress you feel during a crisis:

- Fear of disaster
- Anticipation of a potentially positive outcome
- Desire for the crisis to be over

Under stress, you feel the pressure to make a decision. But the pressure can push you to a state of panic where you are making decisions solely to be "doing something." In reality, however, you are dispersing energy and resources—and this energy is your source of strength. Use the power of positive stress to handle the crisis as a confident leader.

Try to avoid "toxic" stress responses. Often people respond to these natural and conflicting feelings of fear, hope, and despair in ways that can aggravate—rather than relieve—the crisis.

Be sure to avoid these common ineffective and often harmful responses:

- **When in doubt, scream and shout.** The noise may seem as though the manager is doing something, but it is a waste of energy and fails to lessen the crisis situation.
- **Hide your head in the sand.** At times, the pressure to act becomes so stressful, a manager slips into a state of paralysis and can't make any decisions at all.

## The leadership role

Whether acting as the CEO of a large corporation or a supervisor of a department, an effective leader finds out as quickly as possible what the real problem is. Often in a crisis, there will be a flurry of information, most of it inaccurate. It's your task to discover the truth and face it by asking the right people, listening to the most reliable voices, and going to the right places.

A leader in a crisis responds by:

- **Facing the crisis**—turning fear into positive action
- **Being vigilant**—watching for new developments and recognizing the importance of new information
- **Maintaining focus on the priorities**—ensuring that people are safe first, and then assessing the next most critical needs
- **Assessing and responding** to what is in his or her control and ignoring what is not

## Key Idea: Take action

### Key Idea

As a leader, you should do several things to resolve the crisis:

- **One: You should act.** Once you understand the problem, there are really probably only a few realistic options open to you. If you have a crisis plan in place, use it.
- **Two: Help everyone work together.** A leader has the power to draw people together to act as a team. If your people know you are in charge, they will respond to your direction.
- **Three: Avoid blaming others.** As the crisis heats up, the impulse to blame people can become irresistible. Certainly, a team member's incompetence or serious error may have caused the crisis, or may be perpetuating it. However, during the heat of the crisis, trying to find a scapegoat is counterproductive. Focus your people on handling the crisis, not on blaming others.

Later, after the crisis, it will be up to you to analyze whether or not a person should be reprimanded in some way. However, keep in mind that constant fault-finding lowers morale and stifles the creativity and commitment you need to solve the problem. Create an atmosphere where people look forward to what needs to be done, not backward to who was at fault.

- **Four: Do what needs to get done.** Rules, policies, structures, procedures, and budgets are created to maintain order and provide a productive process in the normal course of business. However, most rules were not created with a crisis in mind. Do whatever has to be done, and don't worry about the "rules"!

Leaders have great responsibility in times of crisis. When it comes time to take action, what should you do?

## Leadership Insight: Averting a healthcare crisis

BioMérieux is a French healthcare company specializing in "in vitro diagnostics," which means that we are selling critical products — life and death products — to hospitals. But imagine a crisis where a company that is number one in France for many products is suddenly not able to deliver any product to its customers.

How did that happen? What happened is, in 1999, the year I joined this company, we decided to open a new distribution center. Very simple: Before we would deliver our supplies all over Europe; now we would deliver directly to our customers.

That project had all the recipes for being successful. We had a very professional team working on it, and we probably chose the best technology and the best partners. Yet it miserably failed.

The day we opened the center, we immediately began to receive very angry phone calls from customers all over Europe; not only France, but Spain, Italy, the U.K., the Netherlands, because some of them did not receive goods. Some would receive some products but not the good ones, or not the one that they had ordered. Some would receive just empty boxes — and again, remember, our products are critical for the patient. It's not possible to have any backorders in healthcare.

So why did we make these kinds of mistakes? Something I ask everyone simply to remember: Never be overreliant or overconfident on technologies. Even very good technologies need time to work optimally.

Second, always involve your customers in those kinds of big projects. Customers like transparency. They do not like to be held hostage. So where did we go from there? You can imagine that they had been very tense weeks – even just two weeks — but we were able to solve the problem and solve the crisis basically because of three actions.

The first one is, we immediately decided to decentralize and simplify our decision-making process. What I mean by this is that our sales reps on the field were immediately empowered to make the best decisions for their customers. They would be able to decide whether they would allocate the product to these customers or to those customers. What it means is that this flexibility triggered creativity. We had seen examples of real partnership between angry customers and our sales rep trying to help each other to make sure that we could at least allocate the products among the different customers.

The second action was to involve everybody and put everybody on board. When I say "everybody," I say from the president of the company, to the CEO, to the executive committee — the main directors. Everybody was sent to our warehouse to work manually and fill the boxes themselves to make sure that our products could go to our customers.

And you can't even imagine the fantastic motivation for a warehouse employee to see the president of his company working hand-in-hand with him to solve the issue. So — fast reaction, involving everybody, and working as a team are definitely three success factors to solve a crisis.

Three factors — a swift reaction, involving everyone, and teamwork — can help resolve a crisis.

**Thierry Bernard**  
**Senior Vice President, Commercial Operations, BioMérieux**



Thierry Bernard is the Senior Vice President of Commercial Operations for bioMérieux, a worldwide group specializing in the field of in vitro diagnostics for medical and industrial applications.

Thierry joined bioMérieux in 1999, starting as Strategy Director before heading Strategy and Clinical Marketing. In 2002, he assumed responsibility for the Europe/Middle East/Africa zone. While he currently lives in Boston, he has previously lived in England, Belgium, and Spain.

Thierry is a graduate of Sciences Po (Paris) and has a master's degree in economy and administration from the College of Europe and a Master of Science from the London School of Economics. He also has a degree in Foreign Trade (Barcelona) and is one of France's foreign trade advisers.

## Example of working together

When a catalog retailer that offered a large number of custom products—monogrammed bags, sweaters, and so forth—put out its holiday catalog, it was shocked by the positive response. From the moment the catalog was released in October, its phone lines were swamped. The company hired temporary help to work the phones, but still had a tremendous bottleneck: customizing and shipping the products. It was the holiday season. The head of distribution recognized that if they didn't get everything shipped in time for the holidays, there might not be a next season.

So the CEO put out a call for help and recruited management and administrative staff to work in the warehouse in the evenings—after they had done their regular jobs. Everyone worked together for six long and grueling weeks—everyone from the top down. By working as a team, the whole company eventually enjoyed astonishing success by growing 80% in that one year. What could have been a crisis and failure was turned around by teamwork.

## Once the chaos has passed



When you make it through a crisis, don't just try to put it behind you. Rather, take the opportunity to learn from the experience and make changes to avoid or prepare for another similar crisis.

Engineers use earthquakes as a learning experience to plan for stronger roads, bridges, and buildings. They use massive floods to determine the best ways for people to adapt to (build dams or dikes) or

yield to (move out of a flood plain) the power of nature.

An organization, too, can do a post-crisis audit to learn and even profit from the event.

For example, when everyone in the catalog company mentioned earlier worked overtime to fill a large volume of orders they hadn't expected to receive, they successfully handled the immediate crisis. But operating in crisis mode is an ineffective way to work all the time (even though some businesses don't seem to think so). It takes its toll on morale, turnover, and the health of everyone, especially the manager. After the rush at the catalog company, everyone was given large bonuses and extra vacation time. Then management took steps to plan for the next year, so the company would be prepared to meet a large demand—with less pressure on the employees.

## Review how the crisis was handled

Plan the timing of the crisis review soon enough after the event so that people remember details, but long enough for some emotional healing to have taken place.

Start by analyzing the crisis from beginning to end. Pinpoint actions, assumptions, and outside factors that precipitated the crisis. Ask yourself the following questions:

- Knowing what we knew then, could the crisis have been prevented? How?
- At what point did we realize we were in a crisis? Could we have recognized the signs earlier?
- What warning signals went off that we may have ignored?
- What warning signals did we pay attention to?
- What were the early signs? Why were they turning points?
- What did we do right? What could we have done better?
- What were the stress points in the system that failed?

## Key Idea: Look and plan ahead

### Key Idea

Knowing what you know now, how can you prevent the same type of crisis from occurring again? Create a plan so that you learn from what you know.

- **Get input from everyone.** You need to get everyone's story, but pay attention in particular to those with expertise in the areas of importance. If the crisis was technological, then listen to the computer experts, the IT group, the network engineers. If the crisis was relational—a critical vendor cuts off your supply of goods—talk to your buyers, but then get out in the field and find out what happened and why.
- **Incorporate the ideas and information in your next round of strategic planning.** You've already performed your first crisis audit; now, you'll have much more knowledge to improve the revised audit and the crisis-prevention plan.

Each crisis provides a learning opportunity. How can you make sure you understand the situation well enough to keep it from happening again?

## Example of looking and planning ahead

Successful managers make each crisis a learning experience.

For example, a catalog company experienced a crisis when its phone lines were swamped after the release of its holiday catalog.

Management listened to its employees and to outside consultants. Consultants analyzed workflow, looked at bottlenecks and technology. And everyone in the company who had worked in the warehouse to help get through the crunch now understood first-hand how the business was run. Their experience had taught everyone a great deal. The CEO set up a system to tap into the cumulative knowledge of everyone in the company. A suggestion program was implemented, and many suggestions were put into practice. A \$100 reward was given each quarter to the employee who came up with the best idea.

## Track results

Track the results of changes you make in the wake of the crisis. How are they working? Will they actually reduce the negative impact of a future event?

For example, as a result of a comprehensive analysis and much planning, the catalog company was well prepared for the next season. Some of the realizations and improvements that were generated by the analysis included:

Problem realized	Action taken
The outdated IT system was incapable of handling the large volume of business.	The system was redesigned and overhauled. It grew from one of the smallest divisions in the company to one of the largest.
There were too many colors for customizable items, which caused delays in processing orders.	Number of colors offered was reduced; offerings were streamlined.
Most of the orders came in a three-month period, while it was slow the rest of the year.	More catalogs were offered throughout the year.

Many shoppers ordered at the last minute, creating enormous demand on resources at one time.	To spread out the frequency of demand, incentives were offered to encourage customers to order earlier in the season.
Too many catalogs went out at once.	The release of catalogs and ability to respond was tracked, so that systems were always in place to handle demand.

## Activity: Preventing future crises

Do you know what concrete actions to take after a crisis to prevent more problems in the future?

Laura leads the formulation division at a major pharmaceutical company. Her department recently encountered a major crisis situation when some of the company's product was tampered with by an outside party. Further investigation identified serious gaps in security during production.

Additionally, Laura discovered that the quality assurance team was dangerously understaffed.

Which of the following steps should Laura NOT take to make sure that this sort of crisis does not happen again?

- ☐ Test quality assurance employees to determine whether they can distinguish between pure and adulterated tablets

**Not the best choice.** Laura should take this step. By testing whether quality assurance employees could have identified adulterated tablets, Laura will have a better understanding of the scope of changes that need to be made in quality assurance.

- ☐ Replace the manager responsible for security

**Correct choice.** While Laura may ultimately decide to replace the manager responsible for security, this action alone will not guarantee a better security system.

- ☐ Fund new training to help all employees spot possible signs of tampering

**Not the best choice.** Laura should take this step. New training would be a good way to ensure that all employees are aware of steps they can take to prevent a recurrence.

- ☐ Hire additional quality assurance staff to ensure that the department has the personnel it needs to do its job

**Not the best choice.** Laura should take this step. It is important to take concrete steps toward a solution once problems such as a lack of quality assurance staff have been identified.

## Focus your energy



Managers can show themselves as true leaders during a crisis. How do leaders handle themselves during a crisis? How do they handle their uncertainty and fear? They use the energy they derive from their feelings to face the crisis and deal with it as effectively as possible.

## Deal with a short-term crisis

If the crisis flares up and is over quickly, then try these simple steps to maintain your own emotional balance.

1. **Stop.** As soon as you begin to feel the first rush of anxiety flooding your mind, say "Stop!" to yourself. To face a crisis, you need to have a clear mind as unclouded by anxiety, toxic stress, and fear as possible. Thus, recognizing those feelings and verbally pushing back can block them from controlling your mind and actions.
2. **Breathe.** Take a deep breath. Just as the word "stop" blocks the negative thoughts from your mind, breathing overcomes the stress-induced tendency to hold your breath.
3. **Reflect.** By interrupting the pattern of toxic stress and giving yourself energy through breathing, you can now focus on the real problem, the crisis you face. By reflecting on your stress response, you can begin to distinguish the different levels of thought and to sort out reasonable from irrational stress responses. You can see the practical situation more calmly and realistically and distinguish it from the distortions of your anxiety-influenced thoughts.
4. **Choose.** Finally, with your attention now on the practical situation itself, you can choose to find real solutions, follow the crisis plan your group has developed, and tend to the needs of the people you lead.

## Deal with a long-term crisis

You may have to handle another kind of crisis—one that starts as a slow burn and then breaks out into a wildfire of trouble. For example, financial crises often start as small problems in receivables, or perhaps cash flow fluctuations, and then build to an inability to borrow or cover basic expenses. You may have a sense of the emerging crisis for several weeks or months, yet you're unable to stop the spread of trouble.

In this case, when you're coping with stress over long periods of time, taking care of yourself becomes even more important. Long-term stress can be toxic—physically harmful to you.

Taking care of yourself gives you the strength and stamina to take care of the impact of the crisis. So even when you feel hemmed in by the growing crisis, remember to:

- Talk to people—don't become isolated
- Get enough sleep
- Exercise regularly
- Eat a balanced diet
- Avoid alcohol, caffeine, and sugar
- Take a break whenever you can
- Find humor wherever you can

## Frequently Asked Questions

### **What if my boss wants to cover up a problem?**

First, talk to your boss. If that doesn't work, get a new job or tell his or her supervisor, or both. If your boss is trying to cover up a problem, then you will either become part of the cover-up, or you will appear to be part of it. In some cases, you might even be blamed for the problem. In any case, your reputation will be damaged and you will suffer serious repercussions. Reveal the cover-up and/or get out.

### **Should I disclose possible problems (to the public, my boss, my colleagues) if I am not certain that they are real problems or if there is a possibility that they might be avoided altogether?**

In general, it is best to disclose even potential problems. Although one does not want to make a habit of crying wolf, it is much worse to surprise others when problems do become serious. Furthermore, when problems are disclosed, your company may be able to find a way of avoiding them.

### **What if I discover that a capable and loyal employee has violated the law and done so thinking that it would be in the interest of the company?**

The violation should be disclosed immediately to at least the legal department and generally to the authorities. The company can provide the employee with good outside legal assistance, but a firm can never condone any form of violation of the law, no matter how well intentioned.

### **How do I deal with rumors that are damaging morale?**

The only way to stop rumors is with the truth. It is important that management be very candid and that it make available to employees, and others, truthful information in a timely fashion. This can be done with Web sites, taped messages, memos, and the like.

### **How can I carry out my normal responsibilities and fight a crisis at the same time?**

You probably can't. In times of true crisis, it is best that you focus your attention entirely on resolving the crisis and delegate to some other capable individual the responsibility of day-to-day operations.

### **When managing a crisis, I may simply not have time to devote a great deal of effort to communicating with everyone who wants to know what it is happening. How can I handle this?**

Take the time! Communications are absolutely critical in solving problems. And the best communications of all are face-to-face and from the person in charge.



**In the middle of a crisis, should I throw away records that might indicate how errors were made?**

This is, of course, a legal issue and there are laws that govern the destruction of documents. From an overall management view, however, it is best never to destroy relevant materials bearing on a crisis until long after the crisis has been resolved. In short, comply with the law, but err on the side of not destroying relevant documents.

**If I am required to speak to the media, should I talk off the record?**

In general, it is a poor practice to speak off the record. If you don't want to see statements you are making in print, you probably shouldn't be making the statements in the first place. On rare occasions, it may be helpful to provide "background" information, but this should be done only in extraordinary circumstances.

**If I have important information to reveal relating to a crisis, whom should I tell first: the media, the employees, the shareholders, or the public?**

All should be told at the same time. First of all, in this modern age information travels very quickly. Even though each of these constituencies and others are extremely important and have a right to know, the only practical solution is to inform everyone at about the same time.

**If I'm in charge of a geographically diverse team, should I return to headquarters where I have good communications and staff support, or should I go to the location of the crisis?**

The answer to this obviously depends on the circumstances, but it is generally best to be at the location of the crisis. One can bring along the key members of the staff, and communications today can be established rather quickly.

**Should I say publicly how bad the outcome of a given situation might turn out to be?**

Any effective leader cannot be a pessimist. By the same token, a good leader must be a realist. Most people, particularly most employees, would rather know the full range of "reasonable possibilities" than to be surprised by a very negative outcome. By adopting this strategy of total candor, the possibility always exists for positive news—something that is welcome in time of crisis.

**If a key person is not performing well in the midst of a crisis, should that person be replaced?**

Changing leadership in the middle of a crisis is not a desirable action and should be avoided if possible. Changes in personnel are best handled in more normal times. But if a person is simply not performing the job, then there is no alternative than to make a change.

**Am I obliged to follow the advice of my lawyer if I don't agree with it?**

This is a difficult question. If the advice concerns the possibility of breaking the law, it would be wise to follow the advice of the lawyer—or at least to obtain an independent opinion. In matters not involving the law itself (for example, involving possible financial liability), a lawyer's view is often based on the desire to avoid damaging legal judgments.

Management's responsibility is much broader and includes other outcomes that can harm the company—the most important of which are ones that can affect the firm's reputation. In most cases, one should carefully consider the views of the legal department, but consider it as only one among many inputs to be weighed when arriving at decisions during periods of crisis.

**Should I publicly admit error?**

If an error has been made the answer would generally be yes. There are, of course, legal implications to doing so that must be weighed. In the long term, however, if errors have been made, it is best to recognize them—if for no reason other than they will almost inevitably come out in any event.

### Should the public spokesperson in times of crisis be the head of public relations?

If it is a true crisis affecting the corporation as a whole, the spokesperson should be the CEO. Only the most senior individual can be broadly recognized as having authority to speak on behalf of the entire organization. For crises confined to an individual part of the corporation, it may well be that the head of public relations should be the spokesperson.

## Overview

This section provides interactive exercises so you can practice what you've learned. These exercises are self-checks only; your answers will not be used to evaluate your performance in the topic.

### Scenario

Assume the role of a manager in a fictional situation and explore different outcomes based on your choices (5-10 minutes).

### Check Your Knowledge

Assess your understanding of key points by completing a 10-question quiz (10 minutes).

## Scenario: Part 1

### Part 1

You manage DatServ's Information Systems department. DatServ provides information services to a broad range of customers and has been very successful. Your department is responsible for maintaining all the company's databases and information-related systems.

You know that if anything ever happened to harm the firm's data or its reputation for delivering secure service, the company could go out of business. You also know that crisis *prevention* is far less expensive and time-consuming than taking action after a crisis hits. So, you decide to invite other DatServ managers to join you in a crisis-management task force. As its first step, the task force resolves to perform a crisis audit—an analysis designed to help DatServ avoid disasters.

How should your task force approach the auditing effort?

- List only the worst things that could happen and identify those that are most likely

**Correct choice.**

It's helpful to prioritize your audit effort by assessing your crisis *risk*. You can't address every potential crisis, so list only the worst disasters that are most likely to strike. For example, if your

organization isn't located in an earthquake zone, don't list earthquakes in your crisis audit. But if your business is data management, you'll definitely want to list possible technological breakdowns.

Crises can occur in many forms: environmental and health disasters, technological breakdowns, shifting economic and market forces, and unpredictable human behavior (such as attacks on information systems by computer hackers). In your audit, decide which possible crises are most pertinent to your situation.

- Brainstorm all possible crises and develop a broad-based crisis response plan

**Not the best choice.**

It's inefficient to try addressing *every* potential problem in a crisis audit, so focus the effort on the worst disasters that may strike your company. Then, for each item on your list, you'll need to work out a plan for how you would respond if that crisis were to occur.

- Review your company's past crises, and list the most frequently occurring ones in your audit

**Not the best choice.**

The goal of a crisis audit is not to look back in history, but to look forward at which disasters *might* occur in the future. Also, you use a crisis audit to assess your crisis risk. That is, you identify the worst things that could go wrong and decide which of them are most likely or probable. Though crises can take many forms, list only those that are most pertinent to your situation.

## Scenario: Part 2

### Part 2

You've completed your crisis audit. The task force has developed contingency plans for the worst potential disasters on the list. You've also analyzed the relative risks involved in each scenario. You feel confident that DatServ is ready to handle any of the situations listed in the audit.

Then a technician from your group comes to you with troubling news: Apparently, a hacker has broken into one of DatServ's customer databases and corrupted some of the information in it. Luckily, DatServ's tech staff has quickly reprogrammed its security software and recovered the damaged data. The staff has also reassured the affected customer that no permanent harm was

done to its database. The technician asks whether you think anything else should be done in response to the incident.

How do you respond to the technician?

- Since DatServ repaired the damage quickly and no one was harmed, you decide the hacking incident doesn't require further action

**Not the best choice.**

By denying the seriousness of the incident, you put DatServ in a dangerous position. Though the incident caused no permanent harm and was resolved quickly, it reveals that DatServ's overall approach to security may need reexamining. Dismissing the incident as minor and failing to explore its causes and ramifications could lead to much worse damage in the future.

- To deal with possible rumor mongering, you decide to find out whether any of DatServ's competitors have learned of the security breach

**Correct choice.**

At this stage of the incident, it's best to gather more information. That way, you avoid either under- or overreacting while you decide whether you have a true crisis on your hands. In addition to finding out if destructive rumors of the incident have begun spreading throughout the industry, you should investigate what happened, why, and what the consequences are (including any legal ramifications). Based on the information you gather, you can then decide how to take effective, appropriate action.

- You decide that, to be on the safe side, you should mobilize the crisis task force

**Not the best choice.**

By jumping into action before understanding more about what happened, why, and what the ramifications are, you risk overreacting to the incident. Until you know more, labeling the incident as a full-blown crisis may only cause everyone involved to panic unnecessarily. Once you've investigated further, you can design an effective, appropriate plan of action.

## Scenario: Part 3

### Part 3

After gathering more information about the hacking, you decide to review all of DatServ's security software, with an eye toward making any necessary changes to prevent further hacking. However, news of the incident has spread throughout the industry. The affected DatServ customer tells other customers about the security breach. Equally alarming, a journalist calls your department looking for information. Apparently, someone has leaked word of the incident to an industry trade magazine.

Even though DatServ fixed the breach quickly and repaired the damage, it seems you've now got a public relations disaster on your hands. You've got to say something about the situation to key people—including DatServ's top management, major customers, employees, and the media. But what?

What do you say to key people about the situation?

- You acknowledge that a mistake was made and reassure the public that the security problem was fixed and won't happen again

**Not the best choice.**

Since you haven't implemented the changes to DatServ's security system yet, you can't promise that a similar incident won't happen again. When you provide only limited information and move too quickly to promises that you can't back up yet, people may think you've got something to hide. They'll keep digging. And when they find out what's really going on, they'll blame you. It's better to give all the facts that you do know, in a straightforward, honest way, and deliver all the bad news at the same time.

- You communicate all the bad news at the same time and tell people everything you know about what happened

**Correct choice.**

By taking this approach, you come across as open and honest. People won't conclude that you're hiding something, and they won't feel compelled to keep digging for more "dirt." Though this approach can be painful—like pulling off a sticky bandage all at once—the pain will end much sooner than if you omit or cover up key facts.

- You confirm that a problem did occur. But to contain the damage and avoid "adding fuel to the fire," you release the pertinent information selectively

**Not the best choice.**

Omitting key facts is just as harmful as covering up a crisis completely. Why? People can't fully understand the problem if you're not completely open and honest with them. And if they can't understand the problem, they can't help or support you in

resolving the situation. During a crisis, you need all the support you can get.

## Scenario: Conclusion

### Conclusion

You've communicated everything you know about the security breach to key people—in an open, straightforward way. The company's top managers, employees, and even customers approve of your response. You move forward with your review of DatServ's security systems.

To manage crises, you first need to anticipate and prepare for potential disasters. Then, you must recognize a crisis when it hits. Finally, you have to communicate honestly with everyone affected by the crisis.

Together, these three strategies help you "expect the unexpected"—and take appropriate action.

## Activity: Check Your Knowledge: Question 1

You've just been assigned the task of preventing crises that could cause great harm to your organization. What's the first thing you do?

- Identify the crises that would cause most harm

**Not the best choice.**

While you will eventually need to identify which crises would cause most harm, this isn't the first step you should take. Instead, you should form a crisis analysis team comprising experienced people with different perspectives. They will provide you with the most valuable input on how to prevent and manage crises in your organization. Make your crisis analysis team a formal one with assigned tasks. A "water-cooler" chat will not give you the depth or breadth you need to prevent and manage crises.

- Identify the crises that would be most likely

**Not the best choice.**

While you will eventually need to identify which crises would be most likely, this isn't the first step you should take. Instead, you should form a crisis analysis team comprising experienced people with different perspectives. They will provide you with the most valuable input on how to prevent and manage crises in your organization. Make your crisis analysis team a formal one with assigned tasks. A "water-cooler" chat will not give you the depth or breadth you need to prevent and manage crises.

- Form a crisis analysis team

**Correct choice.**

Putting together a crisis analysis team comprising a group of experienced people with different perspectives will give you an excellent start. Make the team a formal one with assigned tasks. A "water-cooler" chat will not give you the depth or breadth you need to prevent and manage crises.

## Check Your Knowledge: Question 2

A key employee has just informed you that his wife has a terminal illness. After expressing your sympathy and concern, what do you do?

- [Find out how long she is expected to live](#)

**Not the best choice.**

You need to be sympathetic to your employee's crisis, and finding out how long his wife is expected to live doesn't convey sympathy. The correct answer is, "Work with him and other employees to create a flexible work plan." Your employee may want and even need to work during the crisis, and may be very capable of performing on a part-time basis. Bringing people together during this crisis can help create the emotional support your employee will need to get through it.

- [Work with him and other employees to create a flexible work plan](#)

**Correct choice.**

Your employee may want and need to work during the crisis, and may be very capable of performing on a part-time basis. Bringing people together during this crisis can help create the emotional support your employee will need to get through it.

- [Encourage him to take a leave of absence](#)

**Not the best choice.**

Though encouraging him to take a leave of absence may convey your compassion for his situation, your employee may want and even need to work during the crisis, and may be very capable of performing on a part-time basis. Also, you may not be able to afford losing him at the moment. The correct answer is, "Work with him and other employees to create a flexible work plan." Bringing people together in this way during this crisis can help create the emotional support your employee will need to get through it and can help ensure that your group has the resources it needs to continue to perform its work.

## Check Your Knowledge: Question 3

True or false: When analyzing the potential damage a crisis can cause, the bottom line is the most important factor to consider.



- True

**Not the best choice.**

This statement is actually false. A crisis has the potential to damage the health and safety of employees, your company's reputation, and your ability to serve customers—all equal in importance to the organization's bottom line.

- False

**Correct choice.**

A crisis has the potential to damage the health and safety of employees, your company's reputation, and your ability to serve customers—all equal in importance to the organization's bottom line.

## Check Your Knowledge: Question 4

What percentage of companies that experience a major data loss survive that crisis?

- Less than 10%

**Correct choice.**

A University of Texas study finds that only 6% of companies that undergo major data loss survive the crisis. The good news is that this is one crisis that an organization can avoid relatively easily.

- Between 10% and 30%

**Not the best choice.**

Between 10% and 30% vastly overstates the percentage of companies that survive a major data loss. A University of Texas study finds that only 6% of companies that undergo major data loss survive the crisis. The good news is that this is one crisis that an organization can avoid relatively easily.

- More than 30%

**Not the best choice.**

30% vastly overstates the percentage of companies that survive a major data loss. A University of Texas study finds that only 6% of companies that undergo major data loss survive the crisis. The good news is that this is one crisis that an organization can avoid relatively easily.

## Check Your Knowledge: Question 5

Which type of crisis actually contains the greatest potential for business opportunity?

- A public safety disaster

**Not the best choice.**

While some high-profile cases of public safety disasters have led to enhanced reputation for an organization, crises that affect human health don't generally precipitate business opportunities. The correct answer is, "A market swing." Changes in the market can spell disaster *or* growth for a company, depending on how well the organization predicts and handles such changes.

- A technological breakdown

**Not the best choice.**

While a technological breakdown can be the driving factor behind positive change, it is not usually the origin of a new business opportunity. The correct answer is, "A market swing." Changes in the market can spell disaster *or* growth for a company, depending on how well the organization predicts and handles such changes.

- A market swing

**Correct choice.**

Changes in the market can spell disaster *or* growth for a company, depending on how well the organization predicts and handles such changes.

## Check Your Knowledge: Question 6

An internal accountant informs you that your highly paid staff member (with whom you have a friendly relationship) may be embezzling small sums of money. What do you do?

- Tell the accountant that the employee makes too much money to steal such small amounts

**Not the best choice.**

Assuming that a particular crisis couldn't happen is one sure way to leave yourself unprepared. Instead, you should examine the books closely with your account and, if something is amiss, call in an independent auditor. By taking these steps, you investigate the facts as quickly and objectively as possible—which is important to do in any crisis.

- Discuss the problem with the employee "off line" as a subtle warning to stop the embezzling in case it happens to be true

**Not the best choice.**

If your employee *is* embezzling and you warn him to stop, you will look like an accomplice when his crime is eventually discovered. Instead, you should examine the books closely with your account and, if something is amiss, call in an independent auditor. By taking these steps, you investigate the facts as quickly and objectively as possible—which is important to do in any crisis.

- Examine the books closely with the accountant. If something is amiss, call in an independent auditor

**Correct choice.**

By examining the books with your accountant and calling in an independent auditor if something is amiss, you investigate the facts as quickly and objectively as possible—which is important to do in any crisis.

## Check Your Knowledge: Question 7

Which of the following organizational cultures would likely be most responsive to and effective in handling a crisis?

- A competitive culture where decisions get made and the job gets done no matter what

**Not the best choice.**

Highly competitive cultures may spur profits during good times, but during a crisis, these types of cultures often expend energy on blaming rather than solving. A "get it done at all costs" attitude can actually create a crisis if this attitude tempts employees to cross ethical and moral lines.

The correct answer is, "A friendly culture based on trust." A company that values trust and compassion and that has created informal networks for the exchange of information can most easily demonstrate the team spirit and open communication needed to survive a crisis.

- A friendly culture based on trust

**Correct choice.**

A company that values trust and compassion and that has created informal networks for the exchange of information can most easily demonstrate the team spirit and open communication needed to survive a crisis.

- A culture where information is closely protected and decisions are made at the top

**Not the best choice.**

In organizations where information is closely protected and decisions are made at the top, leaders miss out on the diverse perspectives that many people throughout the organization can bring to the situation. No one person has all the information a company needs to handle a crisis.

The correct answer is, "A friendly culture based on trust." A company that values trust and compassion and that has created informal networks for the exchange of information can most easily demonstrate the team spirit and open communication needed to survive a crisis.

## Check Your Knowledge: Question 8

A disaster has just struck your company, and you are the designated spokesperson. A press conference will take place in one hour. How are you and your staff preparing to handle it?

- You are writing a carefully worded statement that reveals only what is about to become public knowledge

**Not the best choice.**

Revealing selected bits of bad news when there is more to come erodes trust and makes the crisis seem worse. Instead, you should be preparing honest answers to the five questions you would least like to be asked.

People are going to ask you tough questions whether you like it or not. You're better off being prepared with candid answers, even if the answer is "I don't know."

- You are writing a confident statement that puts the most positive outlook on the problem and solutions

**Not the best choice.**

You are dealing with a crisis, not a sales call. Trying to make things look "rosy" may cause people to see you as deceptive. Instead, you should be preparing honest answers to the five questions you would least like to be asked.

People are going to ask you tough questions whether you like it or not. You're better off being prepared with candid answers, even if the answer is "I don't know."

- You are preparing honest answers to the five questions you would least like to be asked

**Correct choice.**

People are going to ask you tough questions whether you like it or not. You're better off being prepared with honest answers, even if the answer is "I don't know."

## Check Your Knowledge: Question 9

You are the project manager on a key product for your company. Early results from user testing are mixed. You must still deliver within your deadline and on budget but you don't know where to begin. What is your first step?

- Set up a flexible production team that can quickly make changes to the product indicated by focus tests

**Not the best choice.**

Setting up a team to make every change suggested by focus tests wastes energy, time, and money—which you can't afford, given your need to deliver within your deadline and budget. The correct answer is, "Step back from the product. Analyze information you are getting in order to see what the problem really is."

You can solve a crisis only if you know what it is. Once you've isolated the problem by analyzing information, you can break it down into component parts and decide how to resolve the

situation.

- Step back from the product. Analyze information you are getting in order to see what the problem really is

**Correct choice.**

You can't solve a problem until you've clearly identified what it is. Once you've isolated the problem, you can break it down into component parts and decide how to resolve the situation.

- Continue with the vision that began the product and go about business as usual, creating an atmosphere of confidence and calm

**Not the best choice.**

Continuing on a clearly questionable path wastes valuable time and will likely cause a problem to grow into a crisis. You can't afford either of these outcomes, given your need to stay on deadline and within budget. The correct answer is, "Step back from the product. Analyze information you are getting in order to see what the problem really is."

You can solve a crisis only if you know what it is. Once you've isolated the problem by analyzing information, you can break it down into component parts and decide how to resolve the situation.

## Check Your Knowledge: Question 10

A crisis is finally over, and everyone feels both relieved and weary. Though you're tempted to get on with life, you know that you must assess what went wrong in order to prevent it from happening again. Where do you start?

- Get input from everyone involved to create a plan for the future

**Correct choice.**

Everyone who was affected by the crisis has a valuable perspective on what went wrong and ideas for how to prevent a similar crisis. Get input from all these individuals before making new plans.

- Determine who caused the problem and discipline him or her

**Not the best choice.**

Your analysis of what went wrong may eventually result in disciplinary action; however, it's best to first get input from everyone involved in the crisis to create a plan for the future. All the individuals who were affected by the crisis have a valuable perspective on what went wrong and ideas for how to prevent a similar crisis.

- Work with one or two key players to create a plan for the future

**Not the best choice.**

While working with one or two key players to create a plan for the future may be easier, you will miss valuable knowledge gained by many people during the crisis. Therefore, you should gather input from everyone involved in the crisis before creating a plan for the future. All the individuals who were affected by the crisis have a valuable perspective on what went wrong and ideas for how to prevent a similar crisis.

## Check Your Knowledge: Results

# Your score:

## Steps for conducting a crisis audit

### 1. Select a crisis-management team.

Seek diversity in perspective for your crisis-management team. Chances are that people in your company may have very different ideas about potential crises. A group of accountants will probably not come up with same answers as a group of graphic designers.

If your division lacks diversity (for example, all are sales representatives), you may want to ask people from another division to participate in order to get some outside perspective. They may be from divisions with whom you deal regularly—a sales department may want someone from marketing and someone from information technology to join in this process, or a purchasing department may want to bring in a representative from shipping and receiving. You may even want to bring in an outside party, such as a key vendor or customer. After all, preventing a crisis is just as much in their interest as it is in yours.

### 2. Arrange a brainstorming meeting.

Bring your group together with the sole purpose of brainstorming potential crises that might threaten your organization. Sharing information and perspectives will help group members focus on the problems and lead to better solutions. The results will be much more thoughtful, focused, and constructive.

### 3. Focus the team on the four crisis categories.

Many people will have some ideas about potential crises, but you can broaden everyone's thinking by asking them to consider the following four categories:

- Health and environmental disasters
- Technological breakdowns
- Economic and market forces
- Relationships

You may want to introduce this concept during the meeting, or you may decide to have members think about these things before the meeting and come prepared with ideas.

### 4. Identify the crises of concern.

Have your crisis-management team identify the potential crises that are most likely to happen and would cause the most negative results.

Since you can't possibly predict all the crises that could occur, narrow the scope to ones that are of most concern to your organization in your situation.

## **5. Assess current efforts to prevent crises.**

Examine the way you prevent, react to, and learn from crises. Consider:

- The way you review past crises and near crises. If you deal with crises and learn from them in positive ways, you have a good foundation on which to build
- How systems like formal reporting structures, informal networks, and job descriptions are set up to help escalate or contain a crisis
- Plans and early warning systems already in place to detect and prevent crises
- Crisis-communication plans that exist or need to be developed
- Who is involved in or responsible for preventing a crisis

## **Steps for creating a crisis plan**

### **1. Identify obstacles and fail points.**

What factors could make the crisis worse? Lack of staff? No evacuation plan? Technology? Weather? Lack of money? Lack of knowledge? Brainstorm obstacles and fail points and then determine ways to deal with them.

### **2. Create a resource plan.**

Depending on the type of crisis, consider what you may need to resolve it. Then plan for those resources to be on hand when needed. For example, employees traveling to dangerous parts of the world may need quick access to cash. Determine what resources you need, how you will get them, and who will be in charge.

### **3. Create a communication plan.**

Decide who will need to know about the crisis—include both internal and external people. Then develop a communication plan so that each key person will be informed as needed. The communication plan could be as simple as an emergency contact list or a more complex communication tree designating the flow of messages.

### **4. Distribute resource and communication plans.**

Make sure all key people have and understand the resource and communication plans. Call a meeting to review the plans and go over each person's role during an emergency. A mock crisis drill could even be performed to test whether the plans will actually work.

## **Tips for avoiding crises**

- Avoid technological breakdowns by keeping computers and other systems up to date, and troubleshooting quickly when problems do arise.
- Avoid labor problems during crunch times by scheduling contract renewals and negotiations for times of the year when business is slow.



- Avoid relationship crises by confronting and negotiating problems before they escalate.
- Avoid transitional crises by having a clear plan for qualified people to succeed key personnel should they be suddenly unable to do their jobs.
- Avoid legal entanglements by discouraging a "get it done at all costs" attitude.
- Avoid ongoing financial crises by fully funding development projects from the beginning.

## Tips for avoiding a project crisis

- Don't start a project unless it is fully funded.
- Do try to make only one major advance at a time.
- Do fund a program based on milestones. Avoid funding a program based on yearly or monthly installments.
- Do remember that the goals and major objectives of the project are more important than the systems and measurements used to attain the goal.
- Do be sure that a clear technology plan is in place before the project begins.
- Do use prototypes to test new products.
- Do anticipate blips by providing funding reserves and schedule flexibility.
- Do assign a project manager who cares more about getting the job done than about getting promoted.
- Do be sure the project manager is clearly in charge.
- Don't allow adversarial relationships to develop between stakeholders.
- Do emphasize reliability and quality in the development of products and services.
- Do try to maintain management stability.
- Do limit oversight on project management.
- Don't terminate a project in mid-stream unless you have a very strong reason.

## Tips for communicating during a crisis

- Don't speculate about what happened or about what could happen.
- Don't cover up, lie, or hedge.
- Don't qualify sympathy, as in "We're sorry this happened, *but* . . ."
- Don't assign blame. The goal is to resolve the crisis. Finding fault, if necessary, will come later.
- Don't promise anything that you can't deliver. It is wiser to underpromise and then deliver more, than to overpromise and come up short.
- Don't walk into a press conference or any kind of presentation unprepared. (Or, at least, try not to.)
- Do get the facts as quickly as you can, to the best of your ability.
- Do show up in person. You are the leader, and people want to hear from you.
- Do give the facts.
- Do be honest about what you know and don't know.
- Do acknowledge and show sympathy for human suffering.
- Do accept responsibility for handling the crisis (not causing it).
- Do give all the bad news at once. Leaking out bad news a little bit at a time exacerbates the crisis and undermines your credibility.
- Do make a list of the five questions you would least like to be asked—be assured that someone will ask them—and be prepared to answer them.
- Do set up a rumor control hotline if rampant speculation could fuel the crisis.
- Do record a voice message on a phone line at the end of each day, so that people can call and hear what is really going on. Your voice is a powerful communications tool.

- Do use a Web site to gather and post important information. Your company Web site has credibility and is easily accessible by everyone. (Unless of course you are having a crisis because your Web site is down.)

## Tips for handling a crisis

- Put your communication plan into action. Use your communication plan to delegate responsibility and clarify how others should communicate, with whom, when, and how often.
- Get your crisis team in place. Determine who can help you handle the crisis and bring them together immediately. You may need to create a team whose job it is to handle the crisis, while others in your department or business are charged with running business as usual.
- Break the crisis down into component parts. If you look at the problem as one big tidal wave, you will quickly be washed away. Smaller problems can be more readily handled than the whole crisis.
- Delegate. Once you have broken the problem into its component parts, you will be able to delegate some of the work. Determine who is best for what job and grant authority to get that job done.
- Be decisive and flexible. The two opposite ends of the spectrum—indecisiveness and arrogance—are equally destructive in a crisis. Get the information you need, reflect, and make honest decisions.

## The 10 worst things that could happen list

<i>The 10 Worst Things That Could Happen List</i>	
<i>Some managers find it helpful to create and have available a list of the ten worst things that could happen at work and what they would do about them. Use this tool to record your own list or have a team or work group develop their list.</i>	
<b>Situation</b>	<b>What I/We Would Do About It</b>
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

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## Checklist of 30 warning signs of potential trouble

### Checklist of 30 Warning Signs of Potential Trouble

*The questions below will help you determine if your division or company may be at risk for a potential crisis.*

Question	Yes	No
1. Is your company a start-up business?		
2. Is your group releasing a new product or launching a new service?		
3. Are you instituting a new process?		
4. Is your business in an area of rapid technological advancement?		
5. Has your company recently experienced a change in management?		
6. Has your department or the company just been through (or is about to go through) a significant reorganization?		
7. Are your department's or company's profits declining?		
8. Is your company's business highly regulated?		
9. Does your business depend on a single product or service?		
10. Does your company depend on a few major suppliers?		
11. Does your company depend on a few (or one) major customers?		
12. Are your information technology systems weak?		
13. Has your company recently diversified into a new market or new location?		
14. Is the general attitude of your division or group arrogant, aggressive, and risk-taking?		
15. Do your business activities have the potential to harm the environment?		
16. Does your company lack successors for key employees or a transition plan?		
17. Has your department or company recently experienced rapid growth?		
18. Has your product or the company been experiencing declining market share?		
19. Is your company in litigation or does it have disputes with outside vendors?		
20. Does your company depend on obscure financial statements and/or on pro-forma accounting?		
21. Does your business depend on family relations or ownership?		
22. Is your company susceptible to natural disasters?		
23. Is your company's credit rating poor?		
24. Is your division or company experiencing high employee turnover, or having difficulty retaining talent?		
25. Is your company vulnerable to fraud?		
26. Do you or does your company have high public visibility?		
27. Does your company's labor force have a negative relationship with management?		
28. Is your company operating in a politically or economically unstable country?		
29. Does your company have inadequate cash reserves?		
30. Does your department or company use hazardous materials or manufacture hazardous products?		
<b>TOTALS</b>		

*If you checked "yes" for more than 10 of the above questions, your company is likely headed for trouble. Think about what you might do, if anything, to minimize your company's risks and avoid a crisis situation.*

Adapted from "30 Warning Signs that Your Company May be in Trouble" by Norman Augustine.  
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## Emergency contact list

<i>Emergency Contact List</i>				
<i>Be sure to include all internal and external people who need to be notified during a crisis.</i>				
Name: _____				
Home Address: _____				
Work Phone	Home Phone	Cell Phone	E-mail Address	FAX Number
Name: _____				
Home Address: _____				
Work Phone	Home Phone	Cell Phone	E-mail Address	FAX Number
Name: _____				
Home Address: _____				
Work Phone	Home Phone	Cell Phone	E-mail Address	FAX Number
Name: _____				
Home Address: _____				
Work Phone	Home Phone	Cell Phone	E-mail Address	FAX Number
Name: _____				
Home Address: _____				
Work Phone	Home Phone	Cell Phone	E-mail Address	FAX Number
Name: _____				
Home Address: _____				
Work Phone	Home Phone	Cell Phone	E-mail Address	FAX Number
Additional Notes				

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## Pre-crisis resource planning worksheet

<i>Pre-Crisis Resource Planning Worksheet</i>	
<i>What can you do now to make things easier later? Use this checklist to brainstorm about resources you might need in the event of a potential crisis. This information can also form the basis for a crisis action plan.</i>	
<b>Describe the Crisis</b>	
<b>Resources Required</b>	
<b>Money</b>	
How much money would be needed? _____	Person in charge? _____
In what form? _____	What can be done now? _____
How will it be accessed? _____	
<b>Medical Help</b>	
Who or where? _____	Person in charge? _____
Insurance information? _____	What can be done now? _____
How to contact? _____	
<b>Transportation</b>	
Type of transportation? _____	From where to where? _____
For what purpose? _____	Under what likely _____
For how many? _____	Person in charge? _____
For whom? _____	What can be done now? _____
<b>Legal Help</b>	
Name of law firm or attorney? _____	Person in charge? _____
Type of legal help? _____	What can be done now? _____
<b>Temporary Help</b>	
Skills needed? _____	Length of employment? _____
Name of agency? _____	Person in charge? _____
Number of people? _____	What can be done now? _____
<b>Governmental Help</b>	
Name of agency? _____	Person in charge? _____
Name and number of contact? _____	What can be done now? _____
<b>Media Help</b>	
Designated spokesperson? _____	Person in charge? _____
Public Relations agency? _____	What can be done now? _____
Media insider? _____	
<b>Other Required Resources:</b>	

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## Scenario impact assessment

Scenario Impact Assessment					
Use this form to explore the potential consequences of a crisis. By thinking through a scenario and exploring "What if" situations, you can better prepare to act with confidence if that situation or crisis should arise. Be sure to concentrate first or most on high-risk situations.					
Identify a high-level crisis based on the following assessment: High-risk level crisis = high impact on the company plus high probability of occurring					
	LOW	MEDIUM	HIGH		
Potential impact of crisis on company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Probability of crisis occurring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Risk level of crisis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
<b>Briefly Describe the Scenario</b>					
What could happen? _____					
Who would be involved? _____					
Who or where? _____					
What would be the worst possible _____					
What is the probability that this situation will occur? _____					
<b>Assess the Risk Level of the Scenario</b>					
	Rating				
	Low				High
How much does this situation have the potential to:	1	2	3	4	5
Endanger the health or safety of others?					
Cause loss of life and/or long-term harm to human health?					
Cause harm to the environment?					
Affect business-as-usual in your department or your business?					
Damage your department or your business' industry or public reputation?					
Have a significant financial impact?					
Trigger negative media attention, legal action, or governmental scrutiny?					
Damage employee relations or morale or contribute to employee turnover?					
<b>List Other Potential Negative Impacts</b>					
<b>Implications for Action</b>					
Given your responses to the above set of questions, are there certain preventative actions that can be taken now to lessen the negative impact of this scenario? Is there a plan in place to deal effectively and decisively with the worst consequences?					

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## Worksheet for capturing learning from the crisis

Worksheet for Capturing Learning from the Crisis			
<p>When the crisis is finally over, it's tempting to just put the whole thing behind you and move on. But a valuable learning opportunity will be lost. Use this form to capture some of the learning that you, your team, division, or company gleaned from experiencing the crisis. Break down each problem you faced, how you handled it, and what you learned. Then figure out how to prevent a similar problem from reoccurring and/or how to respond to it more effectively.</p>			
Crisis or Problem	Action Taken	What We Learned	Preventative Action
Example: Key executive suddenly left to join another company.	We rushed into a disorganized search for a replacement.	We were unprepared and didn't know what our criteria were in our search. The process took too long.	Develop a succession plan for every key position in the company.
<b>Summary</b> In what ways did we handle the crisis effectively? How can we be sure to incorporate these positive actions into our crisis management plans?  In what ways did we mishandle the crisis? What were the negative effects of our actions? How can we improve our crisis management in the future?			

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## Why Develop Others?

"At the end of the day, you bet on people, not strategies."

Larry Bossidy

Former CEO, AlliedSignal

In today's global business environment, markets and regulations change quickly. Competitors constantly innovate. Technological changes are the norm.

In order to outmaneuver the competition and meet the demands of the moment, organizations must be agile. They must execute flawlessly. And they must transform themselves continuously.

Are your leaders ready?

Dr. Noel M. Tichy

Professor

University of Michigan Ross School of Business

We have now entered an era where I don't care what industry you're in, you need leaders who



can make decisions, make judgment calls at every single level. All the way down to the interface with the customer.

If you go to a company like Google or any of the high tech companies, a lot of the innovation that Amazon does is happening right at the front line. Go ahead, try it, put it out there, we'll learn from it. That cannot happen if the senior leadership doesn't have a commitment to both develop the leadership capability, but develop the business through engaging people at all levels of the organization.

### Becoming a teaching organization

I like to tell parents that they cannot delegate their responsibility to develop their children. And I think it is the same in an organization. Day in and day out the person that has the biggest impact on people in the organization is the next level above and the associates around and below. And so to build a learning organization I say is not enough. Learning could be, you know we are learning cooking, we are learning this or that, but teaching organizations, when I learned something, I have a responsibility to teach my colleagues.

So everybody takes responsibility for generating new knowledge and it is not enough to be a learner, you then have to translate it into teaching.

### The Virtuous Teaching Cycle

The role of a leader is to ensure that the people who work for them and around them are better every day. There's only one way to make people better. It's to teach them, learn from them, create what I call "virtuous teaching cycles", not command and control.

A virtuous teaching cycle is teach learn, teach learn. And the leader has a responsibility for reducing the hierarchy, for having a point of view to start the discussion, but then to be responsible to hear everyone's voice, get everyone involved in a disciplined way. It is not a free for all. But it is the leader's responsibility to create that virtuous teaching cycle.

A wonderful example of virtuous teaching cycle is the program that Roger Enrico ran at Pepsi, where every one of the 10 vice presidents comes with a business project.

Roger Enrico gets smarter as result of five days with 10 vice presidents, because he's learning from them. He needs to lower the hierarchy. He needs to be open to learning. And in turn, the people participating need to be energized and empowered to come up and engage in problem solving.

Another example is at Best Buy, where every morning in the stores you would bring 20 associates or so together and they would review the profit and loss statement from the day before, what we learned from the different customer segments in our stores, what we can do to improve our performance this day. And they do that every single day. The store manager was learning mostly from the associates on the floor.

That was a virtuous teaching cycle were everybody is teaching everybody, everybody is learning and the result has been an incredible result at Best Buy.

"The growth and development of people is the highest calling of leadership."

- Harvey S. Firestone

Founder, Firestone Tire and Rubber Co

There are clear advantages to leader-led development.

But for many leaders, taking on teaching, coaching, and other development responsibilities can seem daunting. You might avoid taking on these roles due to lack of time, resources, or your own lack of comfort with this role.

The following tips and resources can help you impart valuable learning to your team every day.

To develop others...

- Start with a Teachable Point of View

The first requirement of being able to develop other leaders is to have what I call a teachable point of view. I often give the example of, if I ran a tennis camp and you just came to day one of the tennis camp, I better have a teachable point of view on how I teach tennis. So you are standing there looking at me and it has got four elements. One, the ideas, well how do I teach the backhand, the forehand, the serve, rules of tennis. Then if I am a good tennis coach, I have a set of values. What are the right behaviors I want, how do I want you to dress, how do I want you to behave on the tennis court.

But if that's all I have, what do I do? Show you a power point presentation and then expect you to hit 500 backhands, 500 serves, run around for eight hours. I have to have a teachable point of view on emotional energy. How do I motivate you to buy in to the ideas and values?

On one end of the spectrum it could be I threaten you with corporal punishment, the other I can give you stock options, I can make you feel good about yourself, I can help you develop as a human being, what motivates you.

And then finally, how do I make the tough judgment calls, the yes/no, decisions as the tennis coach, the ball is in, the ball is out. I don't hire consultants and set up a committee, it is yes/no. And the same with running a business, what are the products, services, distribution channels, customer segments that are going to grow top line growth and profitability of the organization.

What are the values that I want everyone in the organization to have, how do I emotionally energize thousands of people, and then how do I make the yes/no, judgments on people and on business issues. So the fundamental building block of being able to develop other leaders is to have that teachable point of view just like the tennis coach.

To develop others...

- Lead with questions

Questions are hugely important because you want to create dialogue and again, what I call a virtuous teaching cycle where the teacher learns from the students and vice versa. Which means everybody ought to be free to ask whatever is on their mind, whatever it will take to get clarity and understanding, but it is not the leader just coming in and freeform asking questions. I believe the leader has a responsibility for framing the discussion, for having as best they can a teachable point of view, they may need help from their people in flushing it out, but they need to set the stage but then it has to be a very interactive, what I call virtuous teaching cycle environment, teach learn, teach learn, teach learn.

To develop others...

- Make it part of your routine

A good example to me of an outstanding leader developing other leaders is Myrtle Potter who at the time I am commenting was Chief Operating Officer of Genentech running the commercial side of the business. And she would take time at the end of every single meeting and do some coaching of the whole team on how we could perform as a team better, and then she would

often take individuals and say, could we spend 10 minutes over a cup of coffee, I want to give you some feedback and coaching on that report that you just presented on or how you are handling a particularly difficult human resource issue, but it was part of her regular routine. And I think the challenge for all of us as leaders is to make that a way of life and it is built into the fabric of how we lead and it is not a one off event, three times a year. It is happening almost every day.

To develop others...

- Make it a priority

One of the biggest challenges in getting people kind of on this path is to overcome some of their own resistance, either fear or the way I view the world I don't have time for this, everybody can make time. Roger Enrico is CEO of Pepsi. He didn't have time to go off for a week at a time and run training sessions. He had to readjust his calendar. So it requires you to look in the mirror and say, is this important. If it is important, of course I can make the time. Then I have to get over my own anxiety on how well I can do it, but it is a commitment to get on the path that says: this is how I am going to drive my own performance and the performance of my colleagues.

To develop others...

- Learn to teach

I think the biggest mistake is to assume you are going to be good at it right off the bat. It is like learning anything else. First time you go out and try and play tennis, good luck. But you got to stay with it and you got to engage your people in helping make you better and them better. And so it is a journey you need to get on, not I am going to do it perfectly when I start out.

If you want to be a great leader who is a great teacher, it's very simple. You have got to dive into the deep end of the pool. But you've got to dive into the pool with preparation. I don't want you drowning. I want you succeeding. It is extraordinarily rewarding for most human beings to teach others. I think once you can turn that switch on, it is self perpetuating. You get a lot of reinforcement, your team is better. You perform better because your performance goes up and it becomes this virtuous teaching cycle.

Your opportunity to develop others

We've heard why developing others can drive greater business results, and how to make the most of your leader-led development efforts. The materials provided in Develop Others enable you to create personalized learning experiences for YOUR team within the flow of their daily activities. Use the guides and projects to engage your team quickly. And to explore how key concepts apply to them in the context of their priorities and goals.

The value of teaching is the performance of the organization is totally dependent on making your people smarter and more aligned every day as the world changes. In the 21st century we are not going to get by with command and control. We are going to have to get by with knowledge creation. The way you create knowledge in an organization is you create these virtuous teaching cycles where you are teaching and learning simultaneously, responding to customer demands and changes, responding to changes in the global environment. My bottom line is if you're not teaching, you're not leading.

A leader's most important role in any organization is making good judgments — well informed, wise decisions about people, strategy and crises that produce the desired outcomes. When a leader shows consistently good judgment, little else matters. When he or she shows poor judgment nothing else matters. In addition to making their own good judgment calls, good leaders develop good judgment among their team members.

**Dr. Noel M. Tichy**

**Professor, University of Michigan Ross School of Business**

Dr. Noel M. Tichy is Professor of Management and Organizations, and Director of the Global Business Partnership at the University of Michigan Ross School of Business. The Global Business Partnership links companies and students around the world to develop and engage business leaders to incorporate global citizenship activities, both environmental projects and human capital development, for those at the bottom of the pyramid. Previously, Noel was head of General Electric's Leadership Center at Crotonville, where he led the transformation to action learning at GE. Between 1985 and 1987, he was Manager of Management Education for GE where he directed its worldwide development efforts at Crotonville. He currently consults widely in both the private and public sectors. He is a senior partner in Action Learning Associates. Noel is author of numerous books and articles, including:

For more information about Noel Tichy, visit <http://www.noeltichy.com>.

## Share an Idea

Leaders are in a unique position to recognize the ideas and tools that are most relevant and useful for their teams. If you only have a few minutes, consider sharing an idea or tool from this topic with your team or peers that is relevant and timely to their situation.

For example, consider sending one of the three recommended ideas or tools below to your team with your comments or questions on how the idea or tool can be of value to your organization. By simply sharing the item, you can easily engage others in important conversations and activities relevant to your goals and priorities.

[The 10 worst things that could happen list](#)

[Steps for conducting a crisis audit](#)

[Tips for avoiding a project crisis](#)

To share an idea, tip, step, or tool with your comments via e-mail, select the EMAIL link in the upper right corner of the page that contains the idea, tip, step, or tool that you wish to share.

## Discussion 1: Avoiding the worst that could happen

If everything's going well in your team right now, the last thing your people may want to do is conduct a crisis audit — thinking about what *could* go wrong, in a big way, in the future. Conducting a crisis audit may look like one more “to do” on your team's already long list. But it's a crucial part of your group's long-term planning.

By anticipating the undesirable events that are *most likely* to happen to their group and that would deliver the *worst impacts*, your team members can develop strategies for avoiding those crises.

Use these resources to lead a discussion with your team about how to avoid the worst things that could happen to their group.

Download resources:

[Discussion Invitation: Avoiding the Worst That Could Happen](#)

[Discussion Guide: Avoiding the Worst That Could Happen](#)

[Discussion Slides: Avoiding the Worst That Could Happen \(optional\)](#)

[Tips for Preparing for and Leading the Discussion](#)

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

## Discussion 2: Learning from a crisis we experienced

When your team members make it through a crisis, they may be tempted to just try to put it behind them. That reaction is understandable. However, that may keep your team from *learning from the crisis* — a key step in crisis management. By taking the opportunity to learn from a crisis they've experienced, your team members can determine what changes are needed to prevent a similar crisis from occurring, and execute those changes.

An excellent way for your team members to learn from a crisis is to evaluate how they managed a previous crisis and then explore ideas for preventing a similar one.

Use these resources to lead a discussion with your team about how to learn from a crisis they've experienced.

Download resources:

[Discussion Invitation: Learning from a Crisis We Experienced](#)

[Discussion Guide: Learning from a Crisis We Experienced](#)

[Discussion Slides: Learning from a Crisis We Experienced \(optional\)](#)

[Tips for Preparing for and Leading the Discussion](#)

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

## Start a Group Project

Just like any change effort, successfully incorporating new skills and behaviors into one's daily activities and habits takes time and effort. After reviewing or discussing the concepts in this topic, your direct reports will still need your support to fully apply new concepts and skills. They will need to overcome a variety of barriers including a lack of time, lack of confidence, and a fear of making mistakes. They will also need opportunities to hone their skills and break old habits. To help ensure their success, you can provide safe opportunities for individuals and your team as a whole to practice and experiment with new skills and behaviors on the job.

For example, to encourage the adoption of new norms, you can provide your team members with coaching, feedback, and additional time to complete tasks that require the use of new skills. Management approaches such as these will encourage team members to experiment with new skills until they become proficient.

Group learning projects provide another valuable technique for accelerating team members'

development of new behaviors. A group learning project is an on-the-job activity aimed at providing team members with direct experience implementing their new knowledge and skills. Through a learning project, team members discover how new concepts work in the context of their situation, while simultaneously having a direct and tangible impact on the organization.

The documents below provide steps, tips, and a template for initiating a group learning project with your team, along with two project recommendations for this topic.

Download resources:

[Tips for Initiating and Supporting a Learning Project](#)

[Learning Project Plan Template](#)

[Learning Project: Conduct a Crisis Audit](#)

[Learning Project: Develop a Crisis Plan](#)

## Leadership in a (Permanent) Crisis

Ronald Heifetz, Alexander Grashow, and Marty Linsky. "Leadership in a (Permanent) Crisis." *Harvard Business Review*, July 2009.

[Download file](#)

### Summary

The current economic crisis is not just another rough spell. Today's mix of urgency, high stakes, and uncertainty will continue even after the recession ends. The immediate crisis—which we will get through with policy makers' expert technical adjustments—sets the stage for a sustained, or even permanent, crisis, a relentless series of challenges no one has encountered before. Instead of hunkering down and relying on their familiar expertise to deal with the sustained crisis, people in positions of authority—whether they are CEOs or managers heading up a company initiative—must practice what the authors call adaptive leadership. They must, of course, tackle the underlying causes of the crisis, but they must also simultaneously make the changes that will allow their organizations to thrive in turbulent environments.

## Let the Response Fit the Scandal

Alice M. Tybout and Michelle Roehm. "Let the Response Fit the Scandal." *Harvard Business Review*, December 2009.

[Download file](#)

### Summary

A full-blown scandal can cause a company great turmoil, even if the organization isn't at fault. Crises easily extend beyond the original perpetrators, spilling over to other businesses along the value chain—and to those apart from the chain that resemble the guilty parties in some central way. For instance, the dairy, pet food, and toy-manufacturing scandals in China over the past few years have in many consumers' minds rendered all Chinese products suspect. Drawing on more than 10 years of research, marketing professors Tybout and Roehm have developed a framework for crafting just-right, just-in-

time responses to scandals. They outline four important steps: assess the incident, acknowledge the problem, formulate a strategic response, and implement the response.

## The CEO Can't Afford to Panic

Eric J. McNulty, James J. Dunne III, Leonard J. Marcus. "The CEO Can't Afford to Panic." *Harvard Business Review*, March 2010.

[Download file](#)

### Summary

When a bomb explodes in a train station in Boston, the executive team of a financial services firm across the street is plunged into crisis mode. No one is prepared for the city's request to use the firm's lobby as a triage center and temporary morgue. The CEO's instinct is to say yes, but as his team debates the consequences—liability issues, the effect on traumatized employees—he realizes just how complicated a decision it is. Two experts comment on this fictional case study: James J. Dunne III, senior managing principal at Sandler O'Neill + Partners, says that acting ethically is what saved his firm after 9/11. Leonard J. Marcus, founding codirector of the National Preparedness Leadership Initiative, advises the CEO to do what will help employees bounce back the quickest.